



KANNALAND MUNICIPALITY  
Financial statements  
for the year ended 30 June 2014

# KANNALAND MUNICIPALITY

(Registration number Western Cape WC041)  
Financial Statements for the year ended 30 June 2014

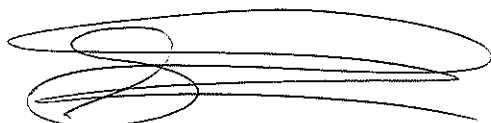
## General Information

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Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipality Structures Act (Act No. 117 of 1998).
Nature of business and principal activities	Local Authority
Mayoral committee	
Executive Mayor	J. Donson
Councillors	A. Ewerts A. Rossouw H. Ruiters J. Willemse P. Antonie W. Meshoa
Accounting Officer	M.M. Hoogbaard
Chief Finance Officer (CFO)	N.B. Delo
Registered office	32 Church Street LADISMITH 6655
Business address	32 Church Street LADISMITH 6655
Postal address	P.O. Box 30 LADISMITH 6655
Bankers	ABSA Bank, Oudtshoorn First National Bank, Ladismith Standard Bank, Ladismith

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 83 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



Mr. M.M. Hoogbaard  
Municipal Manager

26/02/15  
Date

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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### Abbreviations

ASB	Accounting Standards Board
COID	Compensation of Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act No. 56 of 2003
MIG	Municipal Infrastructure Grant (Previously CMIP)
SA GAAP	South African Statements of Generally Accepted Accounting Practice

# KANNALAND MUNICIPALITY

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## Accounting Officer's Responsibilities and Approval

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The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operational risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The financial statements set out on page 1 - 100, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed accordingly.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act. Refer to note 30 for the disclosure of Councillor remuneration.



**Accounting Officer**  
**Mr. M.M. Hoogbaard**

# KANNALAND MUNICIPALITY

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## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2014.

### 1. Review of activities

#### Main business and operations

The Kannaland Municipality is a Category B municipality performing the functions as set out in the Constitution (Act 105 of 1996). The Kannaland Municipality also serves as an agent to the Provincial Government in providing housing to the community.

The Kannaland Municipality is located and operates principally in the Eden District Municipality and is responsible for basic service provision to the towns of Ladismith, Calitzdorp, Van Wyksdorp and Zoar as well as surrounding farming communities.

The operating results and state of affairs of the Municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

### 2. Going concern

The annual financial statements for the 12 month period ending 30 June 2014 have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 4. Executive Management

The executive management during the year and to date of this report is as follows:

Municipal Manager:	M.M. Hoogbaard
Executive Manager: Corporate Services	H. Barnard
Executive Manager: Financial Services	N.B. Delo

### 5. Mayoral Committee

The mayoral committee during the year and to date of this report is as follows:

Executive Mayor:	Councillor J. Donson
Deputy Mayor:	Councillor P. Antonie
Speaker:	Councillor H. Ruiters
Councillors:	Councillor A. Ewerts
	Councillor A. Rossouw
	Councillor J. Willemse
	Councillor W. Meshoa

### 6. Auditors

Auditor-General South Africa will continue in office for the next financial period.

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	1	1 469 146	925 860
Loan to golf club	2	2 186	6 309
Receivables from non-exchange transactions	3	4 870 898	6 361 986
VAT receivable	4	8 894 446	5 151 029
Receivables from exchange transactions	5	9 007 715	11 413 499
Cash and cash equivalents	6	1 429 924	9 410 053
		<b>25 674 315</b>	<b>33 268 736</b>
<b>Non-Current Assets</b>			
Investment property	7	6 874 816	1 739 081
Property, plant and equipment	8	247 721 623	229 967 575
Intangible assets	9	314 977	298 361
Investments	10	4 586 207	4 043 791
		<b>259 497 623</b>	<b>236 048 808</b>
<b>Total Assets</b>		<b>285 171 938</b>	<b>269 317 544</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	11	171 999	23 049
Payables from exchange transactions	12	38 320 397	31 170 343
Consumer deposits	13	629 027	559 513
Unspent grants and receipts	14	5 544 640	9 651 544
Provisions	15	8 547 983	6 840 734
Current portion of long term liabilities		605 846	534 435
Current portion of leases		1 485 377	717 905
		<b>55 305 269</b>	<b>49 497 523</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	16	8 534 157	9 139 087
Finance lease obligation	17	241 301	877 514
Employee benefit obligation	18	10 544 684	7 100 886
Provisions	15	2 598 252	2 889 390
		<b>21 918 394</b>	<b>20 006 877</b>
<b>Total Liabilities</b>		<b>77 223 663</b>	<b>69 504 400</b>
<b>Net Assets</b>		<b>207 948 275</b>	<b>199 813 144</b>
Accumulated surplus		207 948 275	199 813 144

# KANNALAND MUNICIPALITY

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## Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	19	53 484 573	44 893 523
Interest received - outstanding debtors		3 556 747	1 593 970
Income from agency services		681 975	585 054
Licences and permits		411 179	312 957
Actuarial gains		76 394	531 859
Rental income		243 339	245 185
Other income		387 740	391 026
Interest received - investment		1 636 606	997 115
Gain or loss on disposal of assets and liabilities		49 309	-
<b>Total revenue from exchange transactions</b>		<b>60 527 862</b>	<b>49 550 689</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	20	11 604 147	8 790 370
Other taxation revenue		4 166 706	-
<b>Transfer revenue</b>			
Government grants & subsidies	22	68 607 019	59 585 017
Public contributions and donations		87 510	45 000
Fines		3 371 466	703 551
Other transfer revenue		5 888 000	-
<b>Total revenue from non-exchange transactions</b>		<b>93 724 848</b>	<b>69 123 938</b>
<b>Total revenue</b>	21	<b>154 252 710</b>	<b>118 674 627</b>
<b>Expenditure</b>			
Personnel	26	(43 876 410)	(32 995 196)
Remuneration of councillors	27	(2 738 700)	(2 801 007)
Depreciation and amortisation	30	(9 723 044)	(8 256 420)
Impairment loss	31	(3 218 085)	(2 707)
Finance costs	32	(4 439 267)	(3 675 601)
Debt impairment	28	(15 495 228)	(4 627 433)
Repairs and maintenance		(2 115 575)	(2 311 088)
Bulk purchases	36	(22 434 310)	(20 746 660)
Contracted services	35	(16 501 513)	(20 250 189)
General expenses	24	(25 575 447)	(12 233 047)
Loss on derecognition of assets		-	(103 592)
<b>Total expenditure</b>		<b>(146 117 579)</b>	<b>(108 002 940)</b>
<b>Surplus for the year</b>		<b>8 135 131</b>	<b>10 671 687</b>

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	181 198 669	181 198 669
Correction of errors	40 7 942 788	7 942 788
<b>Restated balance at 1 July 2012</b>	<b>189 141 457</b>	<b>189 141 457</b>
Changes in net assets		
Net surplus for year	10 671 687	10 671 687
<b>Restated balance at 1 July 2013</b>	<b>199 813 144</b>	<b>199 813 144</b>
Changes in net assets		
Net surplus for year	8 135 131	8 135 131
Total changes	8 135 131	8 135 131
<b>Balance at 30 June 2014</b>	<b>207 948 275</b>	<b>207 948 275</b>



# KANNALAND MUNICIPALITY

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## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Rates and taxes		6 443 832	6 765 525
Sale of goods and services		43 992 923	32 288 194
Grants and public contributions		64 587 625	64 659 633
Interest received		5 316 378	2 618 688
Other receipts		4 843 820	2 554 492
		<u>125 184 578</u>	<u>108 886 532</u>
<b>Payments</b>			
Employees and councillors		(41 755 201)	(32 910 976)
Finance costs		(4 439 267)	(3 041 994)
Other payments		-	116 466
Suppliers		(60 235 910)	(44 047 107)
		<u>(106 430 378)</u>	<u>(79 883 611)</u>
<b>Net cash flows from operating activities</b>	37	<u><b>18 754 200</b></u>	<u><b>29 002 921</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(32 793 965)	(20 796 010)
Proceeds from sale of property, plant and equipment	8	5 546 339	-
Proceeds from sale of investment property	7	744 219	-
Purchase of other intangible assets	9	(107 355)	(27 325)
Increase in investments		(542 416)	(479 280)
<b>Net cash flows from investing activities</b>		<u><b>(27 153 178)</b></u>	<u><b>(21 302 615)</b></u>
<b>Cash flows from financing activities</b>			
Advance of current portion of long-term liabilities		71 411	-
Movement in current portion of leases		767 472	-
Repayment of loan to golf club		4 123	3 813
Movement in long term liabilities		(604 930)	1 050 007
Repayment of finance lease obligation		111 259	-
Increase in consumer deposits		69 514	37 687
<b>Net cash flows from financing activities</b>		<u><b>418 849</b></u>	<u><b>1 103 411</b></u>
<b>Net decrease in cash and cash equivalents</b>		<u><b>(7 980 129)</b></u>	<u><b>8 803 717</b></u>
Cash and cash equivalents at the beginning of the year		9 410 053	606 336
<b>Cash and cash equivalents at the end of the year</b>	6	<u><b>1 429 924</b></u>	<u><b>9 410 053</b></u>

# KANNALAND MUNICIPALITY

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## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	56 589 980	(3 625 532)	<b>52 964 448</b>	53 484 573	<b>520 125</b>	1.1
Interest received - trading	1 843 670	(10)	<b>1 843 660</b>	3 556 747	<b>1 713 087</b>	1.2
Income from agency services	424 530	233 010	<b>657 540</b>	681 975	<b>24 435</b>	1.3
Licences and permits	128 650	(58 650)	<b>70 000</b>	411 179	<b>341 179</b>	1.4
Actuarial gains	-	-	-	76 394	<b>76 394</b>	1.5
Rental income	241 370	31 520	<b>272 890</b>	243 339	<b>(29 551)</b>	1.6
Other income	397 100	1 854 720	<b>2 251 820</b>	387 740	<b>(1 864 080)</b>	1.7
Interest received - investment	268 310	431 690	<b>700 000</b>	1 636 606	<b>936 606</b>	1.9
Gain or loss on sale of assets	-	-	-	49 309	<b>49 309</b>	
<b>Total revenue from exchange transactions</b>	<b>59 893 610</b>	<b>(1 133 252)</b>	<b>58 760 358</b>	<b>60 527 862</b>	<b>1 767 504</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	12 117 720	(2)	<b>12 117 718</b>	11 604 147	<b>(513 571)</b>	2.1
Other taxation revenue	-	-	-	4 166 706	<b>4 166 706</b>	2.2
Government grants & subsidies	59 029 250	18 591 926	<b>77 621 176</b>	68 607 019	<b>(9 014 157)</b>	2.3

##### Transfer revenue

Public contributions and donations	-	-	-	87 510	<b>87 510</b>	2.4
Fines	1 591 940	(992 940)	<b>599 000</b>	3 371 466	<b>2 772 466</b>	2.5
Other transfer revenue	-	-	-	5 888 000	<b>5 888 000</b>	2.6

##### Total revenue from non-exchange transactions

<b>Total revenue from non-exchange transactions</b>	<b>72 738 910</b>	<b>17 598 984</b>	<b>90 337 894</b>	<b>93 724 848</b>	<b>3 386 954</b>	
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##### Total revenue

<b>Total revenue</b>	<b>132 632 520</b>	<b>16 465 732</b>	<b>149 098 252</b>	<b>154 252 710</b>	<b>5 154 458</b>	
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#### Expenditure

Personnel	(36 069 230)	(310 995)	<b>(36 380 225)</b>	(43 876 410)	<b>(7 496 185)</b>	3.1
Remuneration of councillors	(2 406 150)	2	<b>(2 406 148)</b>	(2 738 700)	<b>(332 552)</b>	3.2
Depreciation and amortisation	(8 746 040)	-	<b>(8 746 040)</b>	(9 723 044)	<b>(977 004)</b>	3.3
Impairment loss	-	-	-	(3 218 085)	<b>(3 218 085)</b>	3.4
Finance costs	(1 182 030)	-	<b>(1 182 030)</b>	(4 439 267)	<b>(3 257 237)</b>	3.5
Debt impairment	(2 420 190)	-	<b>(2 420 190)</b>	(15 495 228)	<b>(13 075 038)</b>	3.6
Repairs and maintenance	-	-	-	(2 115 575)	<b>(2 115 575)</b>	3.7
Bulk purchases	(23 977 770)	-	<b>(23 977 770)</b>	(22 434 310)	<b>1 543 460</b>	3.8
Contracted services	-	-	-	(16 501 513)	<b>(16 501 513)</b>	3.9
Grants and subsidies paid	(37 297 550)	(19 138 626)	<b>(56 436 176)</b>	-	<b>56 436 176</b>	3.10
General expenses	(20 531 970)	(3 665 505)	<b>(24 197 475)</b>	(25 575 447)	<b>(1 377 972)</b>	3.11
<b>Total expenditure</b>	<b>(132 630 930)</b>	<b>(23 115 124)</b>	<b>(155 746 054)</b>	<b>(146 117 579)</b>	<b>9 628 475</b>	
<b>Surplus for the year</b>	<b>1 590</b>	<b>(6 649 392)</b>	<b>(6 647 802)</b>	<b>8 135 131</b>	<b>20 715 792</b>	

# KANNALAND MUNICIPALITY

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## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	-	-	-	1 469 146	1 469 146	4.2
Loan to golf club	-	-	-	2 186	2 186	
Receivables from non-exchange transactions	-	-	-	4 870 901	4 870 901	4.2
VAT receivable	-	-	-	8 894 446	8 894 446	4.2
Consumer debtors	-	-	-	9 007 715	9 007 715	4.2
Cash and cash equivalents	-	-	-	1 429 924	1 429 924	4.2
	-	-	-	25 674 318	25 674 318	
<b>Non-Current Assets</b>						
Investment property	-	-	-	5 888 000	5 888 000	2.6
Property, plant and equipment	33 731 300	3 305 034	37 036 334	32 800 700	(4 235 634)	4.1
Intangible assets	-	-	-	107 353	107 353	
	33 731 300	3 305 034	37 036 334	38 796 053	1 759 719	
<b>Total Assets</b>	<b>33 731 300</b>	<b>3 305 034</b>	<b>37 036 334</b>	<b>64 470 371</b>	<b>27 434 037</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Operating lease liability	-	-	-	171 999	171 999	4.2
Payables from exchange transactions	-	-	-	38 320 397	38 320 397	4.2
Consumer deposits	-	-	-	629 027	629 027	4.2
Unspent grants and receipts	-	-	-	5 544 640	5 544 640	4.2
Provisions	-	-	-	8 547 983	8 547 983	4.2
Current portion of long term liabilities	-	-	-	605 846	605 846	4.2
Current portion of leases	-	-	-	1 485 377	1 485 377	4.2
	-	-	-	55 305 269	55 305 269	
<b>Non-Current Liabilities</b>						
Other financial liabilities	-	-	-	8 534 157	8 534 157	4.2
Finance lease obligation	-	-	-	241 301	241 301	4.2
Employee benefit obligation	-	-	-	10 544 684	10 544 684	4.2
Provisions	-	-	-	2 598 252	2 598 252	4.2
	-	-	-	21 918 394	21 918 394	
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77 223 663</b>	<b>77 223 663</b>	
<b>Net Assets</b>	<b>33 731 300</b>	<b>3 305 034</b>	<b>37 036 334</b>	<b>(12 753 292)</b>	<b>(49 789 626)</b>	
<b>Reserves</b>						
Accumulated surplus	33 731 300	3 305 034	37 036 334	(12 753 292)	(49 789 626)	4.2

# KANNALAND MUNICIPALITY

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## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Taxation	9 124 156	2 993 562	12 117 718	6 443 832	(5 673 886)	5.1
Sale of goods and services	45 670 984	11 882 178	57 553 162	43 992 923	(13 560 239)	5.2
Grants	57 593 000	20 028 176	77 621 176	64 587 625	(13 033 551)	5.3
Interest income	2 112 000	(305 804)	1 806 196	5 316 378	3 510 182	5.4
Other receipts	-	-	-	4 843 820	4 843 820	5.5
	<b>114 500 140</b>	<b>34 598 112</b>	<b>149 098 252</b>	<b>125 184 578</b>	<b>(23 913 674)</b>	

##### Payments

Employee costs	(38 475 380)	(310 993)	(38 786 373)	(41 755 201)	(2 968 828)	5.6
Suppliers	(45 097 190)	(52 864 839)	(97 962 029)	(60 235 910)	37 726 119	5.7
Finance charges	(1 182 030)	-	(1 182 030)	(4 439 267)	(3 257 237)	5.8
	<b>(84 754 600)</b>	<b>(53 175 832)</b>	<b>(137 930 432)</b>	<b>(106 430 378)</b>	<b>31 500 054</b>	

#### Net cash flows from operating activities

**29 745 540 (18 577 720) 11 167 820 18 754 200 7 586 380**

#### Cash flows from investing activities

Purchase of property, plant and equipment	(22 131 000)	-	(22 131 000)	(32 793 965)	(10 662 965)	5.9
Proceeds from sale of property, plant and equipment	-	-	-	5 546 339	5 546 339	5.10
Proceeds from sale of investment property	-	-	-	744 219	744 219	5.10
Decrease/Increase in non-current receivables	3 569	-	3 569	-	(3 569)	
Decrease/increase in non-current investments	(544 000)	544 000	-	(542 416)	(542 416)	5.12
Purchase of intangible assets	-	-	-	(107 355)	(107 355)	5.9
	<b>(22 671 431)</b>	<b>544 000</b>	<b>(22 127 431)</b>	<b>(27 153 178)</b>	<b>(5 025 747)</b>	

#### Net cash flows from investing activities

#### Cash flows from financing activities

Repayment of loan to golf club	-	-	-	4 123	4 123	
Repayment of finance lease obligation	-	-	-	111 259	111 259	5.12
Increase in consumer deposits	13 000	-	13 000	69 514	56 514	
Advance of current portion of long term liabilities	-	-	-	71 411	71 411	5.12
Movement in current portion of leases	-	-	-	767 472	767 472	5.12
Increase in borrowing	533 970	-	533 970	(604 930)	(1 138 900)	5.12
	<b>546 970</b>	<b>-</b>	<b>546 970</b>	<b>(418 849)</b>	<b>(1 010 975)</b>	

#### Net cash flows from financing activities

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net increase/(decrease) in cash and cash equivalents	7 621 079	(18 033 720)	<b>(10 412 641)</b>	(7 980 129)	<b>1 549 658</b>	
Cash and cash equivalents at the beginning of the year	1 487 252	-	<b>1 487 252</b>	9 410 053	<b>7 922 801</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>9 108 331</b>	<b>(18 033 720)</b>	<b>(8 925 389)</b>	<b>1 429 924</b>	<b>9 472 459</b>	

# KANNALAND MUNICIPALITY

(Registration number Western Cape WC041)  
Financial Statements for the year ended 30 June 2014

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Notes to the statements of comparison of budget and actual amounts

#### 1. Revenue from exchange transactions:

- 1.1. Service charges: Income realised more than expected
- 1.2. Interest received – trading: Interest raised on long overdue accounts
- 1.3. Income from agency services: Income realised more than expected
- 1.4. Licences and permits: Income realised more than expected
- 1.5. Actuarial gains: Actual calculations were only done at year end - no provision was made on budget as it was unknown when the budget was drafted.
- 1.6. Rental income: Income did not realise as expected
- 1.7. Other income: R1,5 million was budgeted for sale of erven. This sale did not realise.
- 1.8. Interest received – investment:
- 1.9. Interest received – investment: Grant funds were properly invested

#### 2. Revenue from non-exchange transactions:

- 2.1. Property rates: Income did not realise as expected
- 2.2. Other taxation revenue: Income of VAT on grants not budgeted for.
- 2.3. Government grants & subsidies: Full amount budgeted for income of Grants was not received.
- 2.4. Public contributions and donations: Income did not realised as expected
- 2.5. Fines: Income realised more than expected
- 2.6. Other transfer revenue: Donated by Provincial Treasury to the Municipality (GAP Housing) not budgeted for.

#### 3. Expenditure:

- 3.1. Personnel: Overtime and standby allowances were higher than expected
- 3.2. Remuneration of councillors: S & T received was included in remuneration
- 3.3. Depreciation and amortisation: The amount was over budgeted due to assets destroyed in fire
- 3.4. Impairment loss: No provision was made for impairment loss at the time of preparation of budget
- 3.5. Finance costs: Interest on late payment of ESKOM accounts was not budgeted for.
- 3.6. Debt impairment: Debtors increased more than expected and the amount was under-budgeted
- 3.7. Repairs and maintenance: This expenditure was budgeted for under Operating Grant expenditure.
- 3.8. Bulk purchases: Electricity purchases were higher than expected
- 3.9. Contracted services: Provision for contracted services was made under General expenses. The amount actually budgeted for was too little. Compliance in terms of section 126 was necessary to compile credible financial statements.
- 3.10. Grants and subsidies paid: The expenditure of Grants and subsidies paid has been divided into the expenditure line items and is no longer reflected as expenditure to Grants.
- 3.11. General expenses: Contracted services expenditure was budgeted for under General expenses

#### Statement of Financial Position

- 4.1 Underspending of capital budget due to projects only completed in 2014/15 financial year. the projects are 1. Van Wyksdorp, INEG Grant, RBIG and ACIP
- 4.2 The Municipality did not budget for balance sheet items other than additions to property, plant and equipment, investment property and intangible assets.

#### Cash flow statement

- 5.1 Taxation - During the financial year, the municipality received more property tax revenue than had been budgeted for.
- 5.2 Sale of goods and services - Revenue was not collected in line with Council's credit policy, with the result that collection targets were not achieved.
- 5.3 Grants - Not all grants published in the Division of Revenue Act for 2012-13 were received from the government during the financial year.
- 5.4 Interest income - The municipality did not accurately budget for interest revenue.
- 5.5 Other receipts - This amount relates to "sale of goods and services". The variance therefore reduces the variance on "sales of goods and services".
- 5.6 Employee costs - The municipality paid overtime and standby allowances that were not budgeted for.
- 5.7 Suppliers - the municipality did not accurately budget for payments to suppliers.
- 5.8 Finance charges - The variance is due to the interest accrued on the long outstanding Eskom account.
- 5.9 Purchases of fixed assets - the municipality did not accurately budget for purchases of property, plant and equipment.

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### Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

5.10 Property, Plant and Equipment proceeds on sale - the municipality did not accurately budget for proceeds from sale of property, plant and equipment.

5.11 Borrowing - the municipality budgeted for an increase in borrowings but no new loans were taken out during the period. The repayment of loans resulted in an increase in the variance from budget.

5.12 The municipality did not accurately budget for these line items.

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Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

#### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the MFMA and effective standards of GRAP, including any interpretations and directives issued by the ASB in accordance with Section 122(3) of the MFMA, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied, except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset, except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

#### 1.2. PRESENTATION CURRENCY

Amounts reflected in the annual financial statements are in South African Rand. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

#### 1.3. GOING CONCERN ASSUMPTION

The annual financial statements for the financial year ended 30 June 2014 have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations (in the next 12 months) and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5. MATERIALITY

Omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.



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## Accounting Policies

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### 1.6. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of Comparison of Budget and Actual Amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) have been made.

### 1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18 (original - Feb 2011)	Segment Reporting  The objective of this Standard is to establish principles for reporting financial information by segments.  No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.	Unknown
• GRAP 20 (Original – June 2011)	Related Party Disclosure  The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.  The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	Unknown

# KANNALAND MUNICIPALITY

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## Accounting Policies

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- GRAP 105 (Original – Nov 2010) Transfer of Functions Between Entities    Unknown  
Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

- GRAP 106 (Original – Nov 2010) Transfer of Functions Between Entities    Unknown  
Not Under Common Control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

### 1.8. RESERVES

#### 1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The cash in the CRR can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited/debited by a corresponding amount when the funds in the CRR are utilised.

#### 1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.9. LEASES

#### 1.9.1 Municipality as Lessee

Property, plant and equipment or intangible assets, except intangible assets such as licensing agreements, subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct cost incurred and if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used.

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## Accounting Policies

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Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

### 1.10.1 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.10.2 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, and subsidies

### 1.11 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Accounting Policies

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Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

Unspent public contributions are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.12. PROVISIONS AND CONTINGENT LIABILITY OR ASSET

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### 1.13. EMPLOYEE BENEFITS

#### Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is a defined benefit plan and is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

# KANNALAND MUNICIPALITY

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## Accounting Policies

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### Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave to a maximum of 48 days will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

### Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each relevant employee.

### Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

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Financial Statements for the year ended 30 June 2014

## Accounting Policies

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### Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

### 1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

### 1.15. PROPERTY, PLANT AND EQUIPMENT

#### 1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

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## Accounting Policies

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### 1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<b>Infrastructure</b>		<b>Other</b>	
Stormwater and Roads	3-114	Computer Equipment	1-12
Electricity	10-57	Emergency equipment	2-6
Water	6-59	Furniture & Fittings	1-18
Refuse	15-34	Motor vehicles	1-18
Sewerage	10-113	Office Equipment	1-14
Fencing	25	Plant and equipment	1-18
		Other	6
<b>Community</b>		<b>Land and Buildings</b>	
Recreation Grounds	15-69	Buildings	5-480
Civic Building	30		
Swimming Pools	9-72		
Libraries	30		
Parks and gardens	30		
Cemetery	30		
<b>Finance lease assets</b>			
Office equipment	1-14		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of a impairment is recognised in the Statement of Financial Performance.

### 1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.15.5 Property, Plant and Equipment – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

## 1.16. INTANGIBLE ASSETS

### 1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

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- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

### 1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	Years
Computer Software	3-19

### 1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.17 INVESTMENT PROPERTY

### 1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.



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### 1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life

### 1.17.3 Depreciation and Impairment - Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with effect of any changes in estimate accounted for on a prospective basis.

### 1.17.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.17.4 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

## 1.18. NON-CURRENT ASSETS HELD FOR SALE

### 1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## 1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

### 1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

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An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### 1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

### 1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### 1.21. INVENTORIES

#### 1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

### 1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

#### 1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

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### 1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.22.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### 1.22.3 De-recognition of Financial Instruments

#### 1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

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- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### 1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### 1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

## 1.23. REVENUE

### 1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

The Accounting Standard Board amended IGRAP 1 applying the probability test on the initial recognition of revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. IGRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment. This interpretation of Standards of GRAP is applied prospectively.

### 1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

The prevailing rate for a similar instrument of an issuer with a similar credit rating; or

A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### 1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party; or vice versa,
- or an entity that is subject to common control; or joint control.

The following are regarded as related parties of the Municipality:

A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in above.
- a person identified in above has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- are married or live together in a relationship similar to a marriage; or
- are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- all members of the governing body of the Municipality;
- a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included above.

Management personnel include:

- All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### 1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the MFMA (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the MFMA (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.



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### 1.28. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

### 1.29. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

### 1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### Post-retirement medical obligations

The cost of post-retirement medical obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 6 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of "Property, Plant and Equipment."

The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

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## Accounting Policies

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The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register; or
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

### Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

Intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

### Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

### Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

### Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality. In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.)" Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

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## Accounting Policies

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- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

### Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

### Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

### Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

### Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### 1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### 1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the annual financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>1. Inventories</b>		
Water	552 601	354 678
Stores, materials and fuels	916 545	571 182
	<b>1 469 146</b>	<b>925 860</b>
<b>2. Loan to golf club</b>		
At beginning of the year	6 309	6 310
Repayments	(4 123)	(1)
	<b>2 186</b>	<b>6 309</b>
<b>3. Receivables from non-exchange transactions</b>		
Fines: Gross balance	2 884 060	-
Fines: Provision for impairment	(2 801 639)	-
Fines: net balance receivable	82 421	-
Rates	4 048 061	5 304 409
Staff advances	230 653	216 564
Deposits	17 481	17 481
Receivables handed over	492 044	823 532
	<b>4 870 660</b>	<b>6 361 986</b>

### Traffic fines impairment

The municipality is of the view that they will not be able to recover the outstanding amounts for the first 9 months of the year due to internal challenges. (The service provider responsible for issuing and collecting fines is no longer providing services and the municipality is currently in a dispute with them in regard to the contract terms". The municipality however makes provision the most current offenders, the last 3 months of the year, for making payments in respect of fines issued. The non-payment rate of 91.34% is therefore applied to calculate the impairment of traffic fines.

The fines receivable were assessed for recoverability at year-end and based on the expected future cash flows a provision for doubtful debts of R2 801 639 (2013: Rnil) was raised. The fines receivables disclosed above are the net expected receivables

### Reconciliation of traffic fines impairment

Opening balance	-	-
Contribution to provision	(2 801 639)	-
<b>Closing balance</b>	<b>(2 801 639)</b>	<b>-</b>

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 3. Receivables from non-exchange transactions (continued)

#### Other debtors

Sundry debtors with similar credit risk characteristics are grouped together in financial assets and collectively assessed for debt impairment, however the "Other Debtors" are individually assessed.

No provision for doubtful debt made for debtors other than rates and traffic fine receivables.

#### Rates receivable impairment

	-	-
	-	-
Gross balance	16 238 090	14 659 346
Less: Allowance for impairment	(12 190 029)	(9 354 936)
	<b>4 048 061</b>	<b>5 304 410</b>

#### Ageing of Rates receivable

	-	-
Current (0 - 30 days)	671 918	598 409
31 - 60 days	349 507	372 689
61 - 90 days	300 475	299 099
91 - 120 days	275 020	281 035
121 - 365 days	2 451 141	3 753 177
	<b>4 048 061</b>	<b>5 304 409</b>

1. 90% of the total debtors outstanding at year end of which an average non payment rate of 80% was used to calculate the provision for bad debt for this category.

2. The other 10% of the outstanding debtors is in the category of 30 to 120 days of which an average payment rate of 80% was used to calculate the bad debt provision in that category.

3. Council appointed a debt manager and an external firm to collect outstanding debts

The rates receivable were assessed for recoverability at year-end and based on the expected future cash flows a provision for doubtful debts of R12 190 029 (2013: R9 354 936) was raised. The rates receivables disclosed above are the net expected receivables.

#### Reconciliation of provision for impairment: Rates receivables from non-exchange transactions

Opening balance	9 354 938	10 473 067
Provision for impairment	2 835 093	275 975
Other	-	(1 394 104)
	<b>12 190 031</b>	<b>9 354 938</b>

1. 90% of the total debtors outstanding at year end of which an average non payment rate of 80% was used to calculate the provision for bad debt for this category.

2. The other 10% of the outstanding debtors is in the category of 30 to 120 days of which an average payment rate of 80% was used to calculate the bad debt provision in that category.

3. Council appointed a debt manager and an external firm to collect outstanding debts.

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>4. VAT receivable</b>		
VAT receivable	8 894 446	5 151 029
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	7 351 159	3 622 289
Water	10 103 058	6 512 937
Sewerage	10 125 509	8 815 332
Refuse	10 329 870	8 298 758
Housing rental	141 799	3 624 424
Sundries	2 056 400	(995 373)
	<b>40 107 795</b>	<b>29 878 367</b>
<b>Less: Allowance for impairment</b>		
Electricity	(1 350 112)	(1 286 513)
Water	(10 335 820)	(3 950 619)
Sewerage	(8 730 168)	(5 505 272)
Refuse	(8 837 401)	(5 179 575)
Housing rental	(106 728)	(2 455 624)
Sundries	(1 739 851)	(87 262)
	<b>(31 100 080)</b>	<b>(18 464 865)</b>
1. 90% of the total debtors outstanding at year end of which an average non payment rate of 80% was used to calculate the provision for bad debt for this category.		
2. The other 10% of the outstanding debtors is in the category of 30 to 120 days of which an average payment rate of 80% was used to calculate the bad debt provision in that category.		
3. Council appointed a debt manager and an external firm to collect outstanding debts.		
<b>Net balance</b>		
Electricity	6 001 047	2 335 776
Water	(232 762)	2 534 770
Sewerage	1 395 341	3 337 607
Refuse	1 492 469	3 119 182
Housing rental	35 071	133 147
Other	316 549	(46 983)
	<b>9 007 715</b>	<b>11 413 499</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	7 351 159	3 622 289
Water	10 103 058	6 512 937
Sewerage	10 125 509	8 815 332
Refuse	10 329 870	8 298 758
Housing rental	141 799	3 624 424
	<b>38 051 395</b>	<b>30 873 740</b>
<b>Total</b>	<b>38 051 395</b>	<b>30 873 740</b>

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	2 800 973	1 693 340
31 - 60 days	1 018 868	385 261
61 - 90 days	619 287	132 254
91 - 120 days	67 692	313 729
121 - 365 days	1 494 227	(188 808)
	<b>6 001 047</b>	<b>2 335 776</b>
<b>Water</b>		
Current (0 -30 days)	2 084 228	539 567
31 - 60 days	402 135	373 584
61 - 90 days	210 371	631 946
91 - 120 days	-	1 331 775
121 - 365 days	-	(342 102)
Correction of overbilling	(2 806 472)	-
	<b>(109 738)</b>	<b>2 534 770</b>
<b>Sewerage</b>		
Current (0 -30 days)	349 350	339 686
31 - 60 days	229 565	258 221
61 - 90 days	215 698	221 308
91 - 120 days	212 629	208 940
121 - 365 days	388 099	2 309 452
	<b>1 395 341</b>	<b>3 337 607</b>
<b>Refuse</b>		
Current (0 -30 days)	417 984	297 657
31 - 60 days	295 887	231 412
61 - 90 days	279 389	198 516
91 - 120 days	274 863	195 189
121 - 365 days	224 346	2 196 408
	<b>1 492 469</b>	<b>3 119 182</b>
<b>Housing rental</b>		
Current (0 -30 days)	2 361	4 507
31 - 60 days	2 112	1 742
61 - 90 days	2 040	2 142
91 - 120 days	1 877	124 756
121 - 365 days	26 681	-
	<b>35 071</b>	<b>133 147</b>
<b>Other</b>		
Current (0 -30 days)	152 662	108 216
31 - 60 days	11 835	16 261
61 - 90 days	11 269	6 406
91 - 120 days	17 011	14 171
121 - 365 days	123 772	(192 037)
	<b>316 549</b>	<b>(46 983)</b>

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 5. Receivables from exchange transactions (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(18 464 865)	(25 118 040)
Contributions to allowance	(12 635 215)	(8 207 688)
Debt impairment written off against allowance	-	17 869 469
Reversal of allowance	-	(1 614 504)
	<b>(31 100 080)</b>	<b>(17 070 763)</b>

#### Consumer debtors past due but not impaired

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Current account	1 322 679	3 305 926
Short-term deposits	103 945	6 100 827
Cash floats	3 300	3 300
	<b>1 429 924</b>	<b>9 410 053</b>

### 7. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 931 131	(56 315)	6 874 816	1 831 704	(92 623)	1 739 081

#### Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Investment property	1 739 081	5 888 000	(744 219)	-	(8 046)	6 874 816

#### Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Investment property	1 599 059	-	-	182 558	(42 536)	1 739 081

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the Municipality.



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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 7. Investment property (continued)

#### Details of valuation

The valuation was based on open market value for existing use.

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The general valuation roll was used to determine the fair market value of investment properties. The valuation was performed by Rode Valuations Knysna (registration number 2004/024223/07).

Their assumptions were based on current market conditions.

Rode Valuations Knysna is not connected to the Municipality and have recent experience in location and category of the investment property which was valued.

Amounts recognised in surplus and deficit for the year.

### 8. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 297 372	-	3 297 372	4 228 722	-	4 228 722
Buildings	4 686 053	(982 371)	3 703 682	6 778 131	(1 233 087)	5 545 044
Plant and machinery	1 164 202	(986 472)	177 730	1 139 920	(878 203)	261 717
Furniture and fixtures	1 961 867	(1 464 032)	497 835	1 958 797	(1 208 974)	749 823
Motor vehicles	4 176 278	(3 466 127)	710 151	4 100 603	(2 983 553)	1 117 050
IT equipment	1 591 988	(967 683)	624 305	1 353 896	(766 744)	587 152
Fencing	777 413	(193 161)	584 252	1 008 685	(213 316)	795 369
Infrastructure	319 167 494	(98 703 914)	220 463 580	293 474 367	(93 381 042)	200 093 325
Community	19 285 709	(3 636 053)	15 649 656	17 828 323	(3 366 083)	14 462 240
Other property, plant and equipment	21 720	(18 604)	3 116	21 719	-	21 719
Leased assets	2 452 720	(443 364)	2 009 356	2 275 770	(170 944)	2 104 826
Housing development fund	588	-	588	588	-	588
<b>Total</b>	<b>358 583 404</b>	<b>(110 861 781)</b>	<b>247 721 623</b>	<b>334 169 521</b>	<b>(104 201 946)</b>	<b>229 967 575</b>

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Under construction	Disposals	Transfers	Other Movements	Depreciation	Total
Land	4 228 722	-	-	(931 350)	-	-	-	3 297 372
Buildings	5 545 044	39 000	-	(1 743 794)	-	-	(136 568)	3 703 682
Plant and machinery	261 717	40 581	-	(5 759)	14 900	7 310	(141 019)	177 730
Furniture and office equipment	749 823	52 608	-	(20 554)	-	(72)	(283 970)	497 835
Motor vehicles	1 117 050	172 800	-	(10 229)	-	-	(569 470)	710 151
IT equipment	587 152	305 648	-	(29 699)	-	-	(238 796)	624 305
Fencing	795 369	-	-	(175 978)	-	(7 321)	(27 818)	584 252
Infrastructure	200 093 325	4 743 865	24 180 183	(1 249 172)	-	7 316	(7 311 937)	220 463 580
Community	14 462 240	2 665 291	417 037	(1 330 495)	-	-	(564 417)	15 649 656
Other property, plant and equipment	21 719	-	-	-	(14 900)	(600)	(3 103)	3 116
Leased assets	2 104 826	176 952	-	-	-	-	(272 422)	2 009 356
Housing development fund	588	-	-	-	-	-	-	588
	<b>229 967 575</b>	<b>8 196 745</b>	<b>24 597 220</b>	<b>(5 497 030)</b>	<b>-</b>	<b>6 633</b>	<b>(9 549 520)</b>	<b>247 721 623</b>

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand

### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Under construction	Disposals	Transfers	Correction of prior period error	Depreciation	Total
Land	4 228 722	-	-	-	-	-	-	4 228 722
Buildings	5 759 327	-	-	-	-	(34 142)	(180 141)	5 545 044
Plant and machinery	462 523	28 432	-	(1 879)	(14 900)	(108 550)	(103 909)	261 717
Furniture and office equipment	647 877	163 465	-	(14 398)	-	256 489	(303 610)	749 823
Motor vehicles	2 214 420	-	-	(434)	-	(831 054)	(265 882)	1 117 050
IT equipment	641 858	-	-	(29 583)	17 007	167 306	(209 436)	587 152
Fencing	826 889	-	-	-	-	-	(31 520)	795 369
Infrastructure	187 435 666	8 657 421	8 271 805	-	-	1 790 380	(6 061 947)	200 093 325
Community	13 572 938	1 440 182	71 260	-	-	(126 040)	(496 100)	14 462 240
Other property, plant and equipment	9 909	-	-	-	14 900	-	(3 090)	21 719
Leased assets	66 911	2 164 345	-	-	-	464 741	(591 171)	2 104 826
Housing development fund	588	-	-	-	-	-	-	588
	<b>215 867 628</b>	<b>12 453 845</b>	<b>8 343 065</b>	<b>(46 294)</b>	<b>17 007</b>	<b>1 579 130</b>	<b>(8 246 806)</b>	<b>229 967 575</b>

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 8. Property, plant and equipment (continued)

#### Assets subject to finance lease (Net carrying amount)

Other leased Assets	2 009 356	2 104 826
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#### Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	2 707 227	2 707 227
Additions/capital expenditure	5 267 882	5 267 882
Transferred to completed items	(1 868 126)	(1 868 126)
	<b>6 106 983</b>	<b>6 106 983</b>

#### Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Total
Additions/capital expenditure	1 887 626	1 887 626

Capital commitments	Suppliers	Description	Tender amount	Expenditure to date	Commitment
Section 32-Prince Albert municipality	Aurecon	Calitzdorp: New water availability study	1 500 607	432 583	1 068 024
Contract 15/2013	Urwhebo E-Transand	Zoar: Upgrade Water Reticulation	12 401 260	3 616 352	8 784 908
Contract 03/2014	Urwhebo E-Transand	Calitzdorp: Bergsig: Rehabilitate Sewer Pump Station	1 283 389	695 967	587 422
Contract 04/2014	MDL Electrical	Zoar: Protea Park: New High Mast Lights	1 607 970	1 453 695	154 275
Section 32-Prince Albert Municipality	Aurecon	Zoar: New Cemetery	3 545 742	340 969	3 204 773
			<b>20 338 968</b>	<b>6 539 566</b>	<b>13 799 402</b>

#### Heritage assets

The following heritage assets appear in council's asset register and is valued at R1,00 each. It is useful but management is considering donating it to the Langenhoven Museum in Oudtshoorn.

"Taal Monument"	Date: 1905
Work of art - C.J. Langenhoven - Sculpture :	Date: 1900
Work of art - C.J. Langenhoven - Documents	Date: 1960
Chair - Draughtsman	Date: 2008

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 9. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	764 040	(449 063)	314 977	656 686	(358 325)	298 361

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	298 361	107 355	(90 739)	314 977

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	316 517	27 325	(45 481)	298 361

### 10. Investments

#### At amortised cost

Momentum Rand Merchant Bank - Fixed Deposit	4 586 207	4 043 791
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Fixed deposits are investments with a maturity period of more than 12 months and earn interest of 13.46% per annum.

Investments to the value of R 4 586 207 are pledged as security against long term liabilities.

### 11. Operating lease accrual

Current assets	(171 999)	(23 049)
	(171 999)	(23 049)

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

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### 11. Operating lease accrual (continued)

Up to 1 Year	103 455	192 864
1 to 5 years	-	156 244
More than 5 Years	-	206 914
<b>Total Operating Lease Arrangements</b>	<b>103 455</b>	<b>556 022</b>

The lease is in respect of municipal offices. The lease agreement was for 36 months, with an escalation of 10%. The contract has an option to renew or to purchase. The contract expires on 31 July 2014 but was renewed for 6 months.

The municipality also has operating leases for office equipment. The original period of the contracts have expired and the machines are rented on a month to month basis.

The Municipality as Lessor (Asset)

The municipality leases out properties on as short-term basis without fixed contracts.

### 12. Payables from exchange transactions

Trade payables	34 168 184	22 371 709
Deposits received	203 639	168 291
Madiba funeral	9 341	-
Sundry creditors	3 285 055	8 187 981
Unclaimed monies	(210 786)	-
Retention - contracts	864 964	442 362
	<b>38 320 397</b>	<b>31 170 343</b>

Payables are being recognised net of any discounts.

Payables should be paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables in initial recognition is not deemed necessary.

Due to limited cash resources, the Municipality failed to comply with the 30 day payment period of creditors.

The carrying value of trade and other payables approximates fair value.

Sundry deposits include library deposits.

### 13. Consumer deposits

Electricity	629 027	559 513
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The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.

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### 14. Unspent grants and receipts

Unspent grants and receipts comprises of:

<b>Unspent grants</b>		
National Government Grants	1 712 767	5 051 265
Provincial Government Grants	6 872 754	1 461 855
District Municipality Grants	654 842	128 118
Other Grant Providers	273 891	6 199 022
Correction of prior period error	-	(2 072 825)
<b>Less: Unpaid grants</b>		
National Government Grants	(2 546 172)	(1 107 717)
Provincial Government Grants	(1 423 442)	(8 176)
District Municipality Grants	-	-
Other Grant Providers	-	-
<b>Net grants</b>	<b>5 544 640</b>	<b>9 651 542</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	9 351 544	3 302 322
Funds received during the year	68 966 821	66 868 637
Funds utilised during the year	(72 773 725)	(58 446 592)
Correction of prior period errors	-	(2 072 823)
	<b>5 544 640</b>	<b>9 651 544</b>

See appendix "B" for reconciliation of grants from other spheres of government. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

### 15. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Prior year corrections	Total
Employee benefit cost	4 688 322	2 910 809	(3 834 841)	(10 404)	3 753 886
Landfill sites	5 041 802	2 350 547	-	-	7 392 349
	<b>9 730 124</b>	<b>5 261 356</b>	<b>(3 834 841)</b>	<b>(10 404)</b>	<b>11 146 235</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Prior year corrections	Total
Employee benefit cost	8 265 347	1 236 061	(4 823 490)	10 404	4 688 322
Landfill sites	9 646 980	2 889 390	(7 494 568)	-	5 041 802
	<b>17 912 327</b>	<b>4 125 451</b>	<b>(12 318 058)</b>	<b>10 404</b>	<b>9 730 124</b>

Non-current liabilities	2 598 252	2 889 390
Current liabilities	8 547 983	6 840 734
	<b>11 146 235</b>	<b>9 730 124</b>

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### 16. Other financial liabilities

#### At amortised cost

Bank loan 1	8 534 157	9 139 087
Bank loan		

The Kannaland Municipality entered into an agreement with DBSA on 30 April 2008 to consolidate and reschedule a loan to the amount of R11 587 526.79 at a rate of 12.5% to be paid to the DBSA in 180 monthly instalments commencing on 31 May 2008. The calculation of the monthly instalments is based on the actual number of days elapsed in a 365 day year and shall be payable in arrears on the last business day of each and every month.

#### EXTERNAL LOANS

	Long-term	Short-term	Total
Brought forward	9 139 087	534 435	9 673 522
Repaid	(533 519)	-	(533 519)
Short-term ptn transfer	(71 411)	71 411	-
<b>Balance 30 June</b>	<b>8 534 157</b>	<b>605 846</b>	<b>9 140 003</b>

#### Non-current liabilities

At amortised cost	8 534 157	9 139 087
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### 17. Finance lease obligation

#### Minimum lease payments due

- within one year	846 301	844 865
- in second to fifth year inclusive	316 140	1 162 442
	1 162 441	2 007 307
less: future finance charges	(58 701)	(133 954)
<b>Present value of minimum lease payments</b>	<b>1 103 740</b>	<b>1 873 353</b>

#### Present value of minimum lease payments due

- within one year	800 039	769 612
- in second to fifth year inclusive	303 472	1 103 741
	1 103 511	1 873 353

#### Non-current liabilities

Current liabilities	241 301	877 514
	1 485 377	717 905
	<b>1 726 678</b>	<b>1 595 419</b>

The Municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.



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### 18. Employee benefit obligations

#### Defined benefit plan

##### Pension benefits

##### Retirement funds

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. These funds are governed by the Pension Funds Act, and include both defined benefit and defined contribution schemes.

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. GRAP 25.31 states that when sufficient information is not available to use defined benefit accounting for multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality was not supplied with information on the Municipality's share of the Pension and Retirement Fund's assets by the administrator.

#### Combined plans (including both defined benefit and defined contribution members)

##### CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.7% (June 2012 - 99.4%).

Summary statistics	2013	2012
<b>Active Members</b>		
<b>DB Section</b>		
Number	1 027	1 119
Annual pensionable salaries (Rm)	171,00	170,00
Salary weighted average age (years)	50,0	50,0
Salary weighted average service (years)	23,0	22,0
<b>DC Section</b>		
Number	726	741
Annual pensionable salaries (Rm)	120,00	113,00
Salary weighted average age (years)	47,0	47,0
Salary weighted average service (years)	17,0	16,0
<b>Pensioners (including deferred pensioners)</b>		
Number	4 709	4 933
Annual pension (Rm)	199,00	202,00
Average pension	42 432	41 108
Pension weighted average age (years)	74,0	73,0
<b>Financial condition of fund DB Section</b>	Market Value Excl. Rule 17(5)	Actuarial Value Incl. Rule 17(5)
Value of DB section assets	3 226 863	3 014 878
Rule 17(5) amounts paid	38 094	-

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Figures in Rand	2014	2013
<b>18. Employee benefit obligations (continued)</b>		
<b>Pensioner Account</b>		
Value of Value of assets	1 967 000	-
Pensioner liabilities	(1 967 000)	(1 881 659)
Solvency reserve		
<b>Surplus</b>		
Funding level (Pensioner account)		100,00 %
<b>DB active members</b>		
Value of assets	1 221 769	-
Active member liabilities	(1 231 473)	(1 152 245)
Paid-up members	(326)	(261)
Surplus/(Deficit)	(10 030)	(18 287)
Funding level (DB active members)	99,0	-
Overall level (DB Section)	99,0	99,0
<b>Financial Condition</b>	Interest	Interest 9.58%
<b>DC Section</b>	24.42% p.a.	p.a.
Market value of assets	483 618	421 900
Member's Shares	(484 405)	(400 669)
Investment Reserve	(787)	21 231
Funding level (DC Section)	99.80%	105.30%
<b>CAPE JOINT RETIREMENT FUND</b>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 108.00%).		
<b>Member Share Account</b>		
Assets of Member Share Account	12 980 423	-
Member's Shares	(12 948 998)	-
<b>Investment Reserve</b>	<b>31 425</b>	-
Funding level of the Member Share Account	100.20%	
<b>Preservation Pension Account</b>		
Assets of Preservation Pension Account	50 149	-
Member's Shares	(50 149)	-
<b>Investment Reserve</b>	-	-
Funding level of Preservation Pension Account	100.00%	
<b>Pensions Account</b>		
Market value of assets	577 241	-
Pensioners liability (market related)	(549 369)	-
<b>Surplus</b>	<b>27 872</b>	-
Funding level of the Pensions Account	105.10%	

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### 18. Employee benefit obligations (continued)

#### Reconciliation - Pension Fund - Continued Members

Brought forward	91 123	-
Received during the year	(201 968)	-
Paid during the year	201 968	-
<b>Balance 30 June</b>	<b>91 123</b>	<b>-</b>

#### Reconciliation - Pension Fund - Employees

Balance brought forward	(2 171)	-
Deducted	(5 170 325)	-
Paid during the year	5 170 068	-
<b>Balance 30 June</b>	<b>(2 428)</b>	<b>-</b>

#### Defined contribution plans

A Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

#### Contributions paid

Recognised in the Statement of Financial Performance	3 225 933	2 643 499
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#### Long Service Awards

#### Reconciliation of present value of fund obligation:

Current-Service Cost	125 302	1 244 722
Interest Cost	86 601	65 742
Expected Benefit Vestings	(76 394)	(31 616)
Total Expenses	135 509	1 278 848
Present value of fund at the beginning of the year	1 197 256	-
Actuarial Loss / (Gain)	11 131	(81 592)
	<b>1 343 896</b>	<b>1 149 890</b>
Current portion	118 556	-
Non-current portion	1 225 340	-
	1 343 896	-
Recognised in the statement of financial performance	146 640	(47 366)

#### Post Employment Medical Aid Benefit Subsidy:

	Year ending 30/06/2014	Year ending 30/06/2013	
Opening Accrued Liability	6 260 489	6 176 575	-
Current-service Cost	292 657	308 043	-
Interest Cost	530 178	468 052	-
Expected Contributions (benefits paid)	(280 464)	(280 464)	-
Total Annual Expenses	6 802 860	6 672 206	-
Actuarial Loss / (Gain)	2 775 625	(450 267)	-
<b>Closing Accrued Liability</b>	<b>9 578 485</b>	<b>6 267 303</b>	<b>-</b>
Current portion	343 464	-	-
Non-current portion	9 235 021	-	-

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### 18. Employee benefit obligations (continued)

	9 578 485	-	-
Recognised in the statement of financial performance	3 319 994	45 364	-

### Sensitivity Analysis on the Accrued Liability

#### Key actuarial assumptions used:

#### Rate of Interest

Discount rate	8,09 %	7,47 %
General Salary Inflation (long-term)	7,20 %	6,85 %
Net effective discount rate	0,83 %	0,58 %

	Change	Current Cost	Interest Cost	Total	Change
Central Assumptions		139 200	104 100	243 300	
General salary inflation	+1%	152 900	112 200	265 100	+9%
	-1%	127 000	96 800	223 800	-8%
Discount Rate	+1%	126 600	108 400	235 000	-3%
	-1%	153 700	98 800	252 500	+4%
Average retirement age	-2 years	129 400	94 800	224 200	-8%
	+2 years	154 200	115 500	269 700	-11%
Withdrawal rates	-50%	187 000	125 300	312 300	-28%

### PROVISIONS

#### Accrued Leave Pay

Balance 1 July	3 497 392	2 461 996
Contributions for the year	260 352	1 035 396
Expenditure during the year	(1 317 858)	-
<b>Balance - current portion 30 June</b>	<b>2 439 886</b>	<b>3 497 392</b>

#### Bonusses

Balance 1 July	823 668	612 877
Contributions for the year	112 636	210 791
<b>Balance - current portion 30 June</b>	<b>936 304</b>	<b>823 668</b>

#### Employee Benefits

Balance 1 July	280 464	255 792
Contributions for the year	63 000	24 672
<b>Balance - current portion 30 June</b>	<b>343 464</b>	<b>280 464</b>

#### Long Service Awards

Balance 1 July	76 394	111 192
Expenditure during the year	(42 162)	(34 798)
<b>Balance - current portion 30 June</b>	<b>34 232</b>	<b>76 394</b>

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(9 235 020)	(5 980 024)
Long service awards	(1 309 664)	(1 120 862)
	<b>(10 544 684)</b>	<b>(7 100 886)</b>

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<b>19. Service charges</b>		
Sale of electricity	34 708 093	33 437 047
Sale of water	10 088 072	4 198 704
Sewerage and sanitation charges	4 145 831	3 979 220
Refuse removal	4 542 577	3 278 552
	<b>53 484 573</b>	<b>44 893 523</b>

### ELECTRICITY LOSSES

Electricity losses equates to 5,717,544 units for the 2013/14 financial year. These losses are made up as follows:

- Ladismith – 3,829,351 = 14.02%
- Calitzdorp – 1,888,193 = 27.32%
- Zoar – Eskom sells directly to these households
- Van Wyksdorp – Eskom sells directly to these households

The overall electricity loss percentage is 16.7% of the total electricity sales for the 2013/14 financial year under review.

The main contributing factors for the high volumes of water losses are the following:

- incorrect monthly electricity readings
- old electricity networks
- bulk – and medium business meter defaults

HEFCOM metering system replacement during the last 6 months of the financial year under review.

Management is currently addressing these contributing factors, given the limited financial resources. Some of these factors have already been corrected in the year under review. The following electricity losses occurred during the 2013/2014 financial year:

- Ladismith 14.02%
- Calitzdorp 27.32%
- Average 16.70%

This loss is at an unacceptably high level and should be investigated. A large percentage of the loss is due to apparent bridging of meters. This has to a large extent been resolved due to Hefcom meters being replaced. The loss should be monitored on a monthly basis to ensure that the level of loss is limited to an acceptable level.

### WATER LOSS

The Municipality could not physically quantify the water distribution losses for 2012/13 due to the fact that bulk watermeters were not installed. For calculation purposes, the same waterloss statistics were used as for the 2013/14 financial year, taking into account that no significant water distribution fluctuations occurred during the 2012/2013 financial year. Bulk meters were, however, installed for the full 2013/2014 financial year in Ladismith and Calitzdorp. In Zoar and Van Wyksdorp bulk watermeters were only installed for seven months of the 2013/2014 financial year and this was also calculated on a pro-rata basis.

#### Water distribution losses 2013/2014

Opening balance	3 505 038	-
Water distribution losses	3 944 857	1 616 360
Correction of error in note	-	1 888 678
	<b>7 449 895</b>	<b>3 505 038</b>
KI sold	1,501,659	1,501,659
KI lost	614,557	614,557
% lost during distribution	41	41
Distribution loss (Rand value)	4	4

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### 20. Property rates

#### Rates received

Residential	20 894 298	17 380 475
Less: Income forgone	(9 290 151)	(8 590 105)
	<b>11 604 147</b>	<b>8 790 370</b>

#### Valuations

Residential	600 584 350	-
Commercial	55 625 000	-
State	85 403 000	-
Municipal	34 010 700	-
Small holdings and farms	342 448 230	-
Industrial	24 548 000	-
General	351 102 160	-
Church	40 395 000	-
Nature Reserve	21 726 000	-
	<b>1 555 842 440</b>	<b>-</b>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.010963 is applied to property valuations to determine assessment rates. The following rebates were applied: 30% for pensioners, 75% for agricultural and residential properties with R40 000 value or less are exempt.

Rates are levied on an annual basis with the final date for payment being 30 September 2013. Interest at prime plus 1% per annum is levied on rates outstanding on monthly rates.

The new general valuation will be implemented on 1 July 2014.

### 21. Revenue

Service charges	53 484 573	44 893 523
Interest received - outstanding debtors	3 556 747	1 593 970
Income from agency services	681 975	585 054
Licences and permits	411 179	312 957
Miscellaneous revenue	76 394	531 859
Rental income	243 339	245 185
Other income	437 049	391 026
Interest received - investment	1 636 606	997 115
Property rates	11 604 147	8 790 370
Other taxation revenue	4 166 706	-
Government grants & subsidies	68 607 019	59 585 017
Public contributions and donations	87 510	45 000
Fines	3 371 466	703 551
Other transfer revenue 1	5 888 000	-
	<b>154 252 710</b>	<b>118 674 627</b>

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### 21. Revenue (continued)

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	53 484 573	44 893 523
Interest received - outstanding debtors	3 556 747	1 593 970
Income from agency services	681 975	585 054
Licences and permits	411 179	312 957
Actuarial Gain	76 394	531 859
Rental income	243 339	245 185
Other income	437 049	391 026
Interest received - investment	1 636 606	997 115
	<b>60 527 862</b>	<b>49 550 689</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

#### **Taxation revenue**

Property rates	11 604 147	8 790 370
VAT income recognition	4 166 706	-

#### **Transfer revenue**

Government grants & subsidies	68 607 019	59 585 017
Public contributions and donations	87 510	45 000
Fines	3 371 466	703 551
Other transfer revenue 1	5 888 000	-
	<b>93 724 848</b>	<b>69 123 938</b>

The Accounting Standard Board amended IGRAP 1 applying the probability test on the initial recognition of revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. IGRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment. This interpretation of Standards of GRAP is applied prospectively.

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<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	20 051 040	18 980 603
National infrastructure grant	15 488 715	5 218 985
CDW grant	81 344	34 411
National integrated electrification grant	600 000	-
District municipality grant	-	24 153
Financial management support grant	-	25 768
Local government financial management grant	1 389 299	-
Municipal systems improvement grant	826 884	-
Local government financial management support grant	77 518	-
Municipal infrastructure grant	830 996	-
Nissanville paving	42 600	(20 821)
Zoar library grant	1 374 000	1 161 592
	<b>40 762 396</b>	<b>25 424 691</b>
<b>Capital grants</b>		
Community development grant	-	124 519
Expanded public works programme	1 490 407	-
Library grant	-	72 347
Municipal infrastructure grant	9 235 875	14 132 368
Van Wyksdorp - sanitation upgrade	1 287 879	3 157 674
Calitzdorp housing	11 065 000	13 964 000
Department of Water Affairs - regional bulk infrastructure grant	2 293 003	2 709 418
Department of Water Affairs - accelerated community infrastructure programme	2 472 459	-
	<b>27 844 623</b>	<b>34 160 326</b>
	<b>68 607 019</b>	<b>59 585 017</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	48 555 979	40 596 017
Unconditional grants received	20 051 040	18 989 000
	<b>68 607 019</b>	<b>59 585 017</b>



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### 22. Government grants and subsidies (continued)

#### Equitable Share

Current year receipts	19 511 000	18 989 000
Funds utilised - operating	(20 051 040)	(18 989 000)
	<u>(540 040)</u>	<u>-</u>

In terms of Section 214 of the Consitution (Act 108 of 1996), this grant is allocated as an unconditional grant by National Treasury and used by the municipality to subsidise the provision of basic services to indigent community members.

#### Local Government Financial Management Grant

Balance unspent at beginning of year	-	(14 465)
Current-year receipts	1 400 000	1 264 465
Funds utilised - operating	(1 400 000)	(1 250 000)
	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA, 2003. The FMG grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns)

#### Municipal Systems Improvement Grant

Balance at beginning of year	(282 842)	(2 802)
Current-year receipts	890 000	1 500 000
Funds utilised - operating	(438 411)	(1 780 040)
Funds utilised - capital	(442 859)	-
<b>Balance at the end of the year</b>	<u><b>(274 112)</b></u>	<u><b>(282 842)</b></u>

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and government systems.

#### Municipal Infrastructure Grant

Balance at beginning of year	1 108 969	(278 556)
Current-year receipts	10 934 000	11 517 000
Funds utilised - operating	(870 558)	(554 979)
Funds utilised - capital	(10 528 114)	(8 299 290)
Transferred	(1 108 969)	-
Correction of error	-	(1 275 206)
<b>Balance at the end of the year</b>	<u><b>(464 672)</b></u>	<u><b>1 108 969</b></u>

#### Calitzdorp Housing

Balance at beginning of year	2 087	2 087
Current-year receipts	9 500 828	13 964 000
Funds utilised - operating	(11 065 000)	(13 964 000)
Transferred	1 564 172	-
<b>Balance at the end of the year</b>	<u><b>2 087</b></u>	<u><b>2 087</b></u>

#### DME Side Demand Management Meters

Balance at beginning and end of year	<u>323 449</u>	<u>323 449</u>
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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>22. Government grants and subsidies (continued)</b>		
<b>National Government Grants</b>		
Balance at beginning of year	553 092	3 480 009
Current-year receipts	50 435 000	42 887 623
Funds utilised - operating	(24 800 154)	(21 392 525)
Funds utilised - capital	(22 613 063)	(22 554 876)
VAT on funds utilised	(3 299 309)	-
Prior year corrections	-	(1 867 139)
Transfer	(1 108 969)	-
<b>Balance at the end of the year</b>	<b>(833 403)</b>	<b>553 092</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>UNSPENT GRANTS</b>		
<b>National Government Grants</b>		
DME Side Demand Management Meters	323 449	323 449
National Integrated Electrical Grant	1 208 868	-
MIG	-	1 108 969
Zoar Streets	180 453	180 453
EPWP	-	47 938
	<b>1 712 770</b>	<b>1 660 809</b>
<b>GRANT EXPENDITURE - GRANTS NOT YET RECEIVED</b>		
<b>National Government Grants</b>		
Equitable Share	540 040	-
MIG	464 674	-
MSIG	274 112	282 842
DBSA Recovery Plan	824 875	824 875
EPWP	442 472	-
	<b>2 546 173</b>	<b>1 107 717</b>
Total unspent grants	1 712 770	1 660 809
Total grant expenditure	(2 546 173)	(1 107 717)
<b>NET AMOUNT - NATIONAL GOVERNMENT GRANTS</b>	<b>(833 403)</b>	<b>553 092</b>

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>22. Government grants and subsidies (continued)</b>		
<b>Provincial Government Grants</b>		
Balance unspent at beginning of year	8 696 443	1 461 856
Current-year receipts	18 005 101	14 334 000
Funds utilised - operating	(12 520 344)	(14 436 741)
Funds utilised - capital	(8 673 459)	7 543 014
VAT on funds utilised	(867 397)	-
Correction of error	(505 686)	-
Transfer	1 108 968	-
Prior year correction	205 686	(205 686)
	<b>5 449 312</b>	<b>8 696 443</b>
Conditions still to be met - remain liabilities (see note 14)		
<b>UNSPENT GRANTS</b>		
<b>Provincial Government Grants</b>		
Land Use Planning Advertising Cost	900	900
Taxi Rank	306 463	306 463
Flood Damage	447 890	447 890
CDW grant	22 260	9 049
IDC	1 650 000	1 564 172
Local Government Fin. Support Grant	76 803	90 174
Nissanville Paving	103 527	151 359
Calitzdorp Housing ASLA	2 087	2 087
VWD Pit Latrines	1 385 804	1 745 017
Upgrading Sports Facilities Calitzdorp	250 000	250 000
SDBIP	237 304	-
DWAF : Bulk water meters	59 973	146 927
Thusong Centre	-	2 500 000
RBIG	-	1 190 582
ACIP	2 329 744	-
	<b>6 872 755</b>	<b>8 404 620</b>
<b>GRANT EXPENDITURE - GRANTS NOT YET RECEIVED</b>		
<b>Provincial Government Grants</b>		
RBIB	1 423 442	-
SDBIP	-	8 177
	<b>1 423 442</b>	<b>8 177</b>
Total unspent grants	6 872 755	8 404 620
Total grant expenditure	(1 423 442)	(8 177)
<b>NET AMOUNT - PROVINCIAL GOVERNMENT GRANTS</b>	<b>5 449 313</b>	<b>8 396 443</b>

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 22. Government grants and subsidies (continued)

#### District Municipality Grants

Balance unspent at beginning of year	128 118	128 118
Current-year receipts	526 720	-
	<b>654 838</b>	<b>128 118</b>

Conditions still to be met - remain liabilities (see note 14).

#### UNSPENT GRANTS

##### District Municipality Grants

Disaster Funds	526 720	-
Ladismith Water Project	128 118	128 118
<b>NET AMOUNT - DISTRICT MUNICIPALITY GRANTS</b>	<b>654 838</b>	<b>128 118</b>

#### Other Grant Providers

Balance unspent at beginning of year	273 891	6 199 022
Current-year receipts	-	9 364 172
Funds utilised - operating	-	(15 289 303)
	<b>273 891</b>	<b>273 891</b>

Conditions still to be met - remain liabilities (see note 14). The grants were spent appropriately and in accordance with the grant conditions set out for each grant.

#### UNSPENT GRANTS

##### Other Grant Providers

Drought relief	20 317	20 317
MSP	200	200
Greening Ladismith	629	629
Greening Zoar	20 556	20 556
Water Investigation Van Wyksdorp	10 703	10 703
LED Grant	9 868	9 868
Umsobomwu Project	28 763	28 763
<b>NET AMOUNT - OTHER GRANT PROVIDERS</b>	<b>91 036</b>	<b>91 036</b>

The municipality has complied with conditions of the allocations made.

### 23. Other revenue

Rental income	243 339	245 185
Other income	437 049	391 026
	<b>680 388</b>	<b>636 211</b>

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>24. General expenses</b>		
Advertising	164 715	66 915
Assets expensed/adjustments to assets	641 619	121 260
Auditors remuneration	2 526 337	1 887 943
Bank charges	151 514	149 015
Chemicals	70 202	230 840
Cleaning	81 635	73 625
Commission paid	187 277	162 628
Community development and training	68 445	152 184
Computer expenses	-	8 751
Conferences and seminars	37 725	60 348
Consulting and professional fees	2 693 233	1 617 135
Consumables	35 486	50 741
Cost of sales	56 682	92 086
Donations	241 528	61 378
Electricity	2 205 037	167 802
Entertainment	47 008	53 490
Fruitless & Wasteful expenditure	808	12 260
Fuel and oil	994 029	982 747
Hire	233 051	179 586
Insurance	283 095	312 875
Landfill Sites	2 350 547	218 312
Lease rentals on operating lease	339 455	282 032
Magazines, books and periodicals	12 202	4 929
Medical expenses	-	801
Move of Employees	-	5 000
Other expenses	753 439	809 790
Postage and courier	284 332	343 707
Printing and stationery	288 757	369 801
Promotions	310 186	52 125
Promotions and sponsorships	135 766	95 547
Property only	38 653	-
Recruitment cost	11 843	-
Refuse	259 563	112 862
Adjustment for missing assets/assets not on fixed asset register	3 735 995	(1 408 012)
Royalties and license fees	96 793	126 801
Security (Guarding of municipal property)	826 340	-
Sewerage and waste disposal	11 000	39 700
Software expenses	66 779	818 864
Staff welfare	51 310	10 700
Stock writedown	-	(46 164)
Subscriptions and membership fees	1 557 215	689 433
Sundry expenses	99 036	-
Telephone and fax	857 897	729 368
Title deed search fees	128 389	33 687
Tourism development	629 606	396 963
Training	384 596	800 847
Transport and freight	9 510	2 062
Travel - local	1 612 778	1 208 206
Uniforms	4 034	68 652
Water	-	23 425
	<b>25 575 447</b>	<b>12 233 047</b>

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>25. Operating surplus</b>		
Operating surplus for the year is stated after accounting for the following:		
Interest on Investments	1 636 606	997 115
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	339 455	282 032
Gain (loss) on sale of property, plant and equipment	49 309	(46 294)
Impairment on property, plant and equipment	1 268 537	-
Impairment on trade and other receivables	1 949 548	2 707
Depreciation on property, plant and equipment	9 723 044	8 256 420
Employee costs	46 615 110	35 796 203
Research and development	3 735 995	(1 408 012)
<b>26. Employee related costs</b>		
Basic	24 373 678	21 589 790
Bonus	1 576 369	1 527 622
Medical aid - company contributions	1 687 769	1 628 130
UIF	247 134	212 181
WCA	-	281
SDL	335 232	273 438
Other payroll levies	11 849	10 925
Leave pay provision charge	939 718	1 135 963
Actuarial loss	2 775 625	-
Defined contribution plans	3 225 603	2 643 499
Travel, motor car, accommodation, subsistence and other allowances	4 250	3 250
Overtime payments	1 179 156	765 435
Acting allowances	594 768	476 323
Car allowance	2 144 997	1 790 659
Housing benefits and allowances	74 476	83 564
Allowances	36 366	52 260
Cellphone Allowances	3 500	-
Standby Allowances	915 519	801 021
	<b>40 126 009</b>	<b>32 994 341</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	1 188 883	913 996
Car Allowance	150 000	150 000
Travelling re-imbursement	58 665	73 847
Leave paid	95 490	-
Allowances	-	115
	<b>1 493 038</b>	<b>1 137 958</b>

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 26. Employee related costs (continued)

#### Remuneration of chief financial officer

Annual Remuneration	1 136 808	961 440
Car Allowance	120 000	84 000
Performance Bonuses	-	309
Leave paid	90 979	-
Travelling re-imbursement	19 919	-
Subsistence allowance	-	35 757
	<b>1 367 706</b>	<b>1 081 506</b>

#### Remuneration of head corporate services

Annual Remuneration	685 958	640 445
Car Allowance	133 086	133 086
Performance Bonuses	57 163	53 237
Subsistence allowance	13 450	35 969
Other allowances	-	5 576
	<b>889 657</b>	<b>868 313</b>

#### Employee related cost consists of the following

Employee related cost	40 503 706	29 907 419
Remuneration - Municipal manager	1 493 038	1 137 958
Remuneration of Chief Financial Officer	1 367 706	1 081 506
Remuneration of Head Corporate Services	889 657	868 313
	<b>44 254 107</b>	<b>32 995 196</b>

### 27. Remuneration of councillors

Executive Major	548 720	-
Deputy Executive Mayor	511 959	-
Speaker	495 579	-
Councillors	670 862	2 340 626
Councillors' pension contributions	147 104	154 373
Councillors' medical aid contributions	60 915	62 920
Councillors' telephone/cell allowances	98 640	98 640
Councillors' vehicle allowances	204 921	144 448
	<b>2 738 700</b>	<b>2 801 007</b>

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 28. Debt impairment

Contributions to debt impairment provision	15 495 228	4 627 433
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#### Current year provision for bad debts is as follows

Provision for Electricity	1 785 145	188 905
Provision for Housing	33 964	14 933
Provision for Other Debts	553 680	243 436
Provision for Rates	1 440 987	275 975
Provision for Sanitation/Refuse	2 812 364	1 236 511
Provision for Sewerage	2 778 239	1 221 507
Provision for Traffic fines	2 872 860	-
Provision for Water	3 289 213	1 446 166
	<b>15 566 452</b>	<b>4 627 433</b>

#### Bad debt written off against provision

Electricity	776 891	18 739 598
Electricity	578 602	-
	<b>1 355 493</b>	<b>18 739 598</b>

#### Total provision for Bad Debts as at 30 June

Provision for Electricity	1 350 112	920 460
Provision for Housing	106 728	72 764
Provision for Other Debts	1 739 851	1 186 171
Provision for Rates	12 190 029	10 749 042
Provision for Sanitation/Refuse	8 837 401	6 025 037
Provision for Sewerage	8 730 168	5 951 929
Provision for Traffic Fines	2 872 860	-
Provision for Water	10 335 820	7 046 607
	<b>46 162 969</b>	<b>31 952 010</b>

#### Reconciliation of provisions for debt impairment

	Balance 1 July 2013	Bad Debt Written off	Provision for Bad Debts 2014	Total provision at year end
Provision for Electricity	920 460	(1 355 493)	1 785 145	1 350 112
Provision for Housing	72 764	-	33 964	106 728
Provision for Other Debts	1 186 171	-	553 680	1 739 851
Provision for Rates	10 749 042	-	1 440 987	12 190 029
Provision for Sanitation/Refuse	6 025 037	-	2 812 364	8 837 401
Provision for Sewerage	5 951 929	-	2 778 239	8 730 168
Provision for Traffic Fines	-	-	2 872 860	2 872 860
Provision for Water	7 046 607	-	3 289 213	10 335 820
	<b>31 952 010</b>	<b>(1 355 493)</b>	<b>15 566 452</b>	<b>46 162 969</b>

The contributions for the individual services was only split during 2013/2014. It was previously only split between exchange transactions and non-exchange transactions.



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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 29. Investment revenue

Interest revenue	1 636 606	997 115
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The amount included in Investment revenue arising from exchange transactions amounted to -.

The amount included in Investment revenue arising from non-exchange transactions amounted to -.

### 30. Depreciation and amortisation

Property, plant and equipment	9 723 044	8 256 420
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#### Detail of depreciation/amortisation

PPE	9 624 259	8 246 806
Intangible assets	90 739	45 481
Investment properties	8 046	42 536
	<b>9 723 044</b>	<b>8 334 823</b>

### 31. Impairment of assets

#### Impairments

Property, plant and equipment		1 268 537	-
Trade and other receivables		1 949 548	2 707
Sanitation/Refuse Impairment	681 011		
Water impairment	1 055 713		
Electricity impairment	212 824		
		<b>3 218 085</b>	<b>2 707</b>

The main classes of assets affected by impairment losses are:

Sanitation/Refuse	R1 949 548
Water	R1 055 713
Electricity	R 212 824

### 32. Finance costs

Other interest paid-External Fines and penalties	4 439 267	3 675 601
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#### Interest - Fines and penalties

DBSA loan - interest	1 810 367	1 912 339
Fines - Eskom	61 762	1 129 655
	<b>1 872 129</b>	<b>3 041 994</b>

### 33. Auditors' remuneration

Fees	2 526 337	1 887 943
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The amount owing to the Auditor-General as at 30 June 2014 amounts to R2,265,082.38. This amount is included as a provision in the abovementioned amount.

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>34. Operating lease</b>		
Operating lease arrangements:		
• Operating lease rent payable is determined by way of a contract agreed to by mutual agreement between the lessee and the lessor stipulating what the monthly rent payable amounts to.		
• After the expiration of an operating lease contract, the item is returned to the lessee. A new contract is then negotiated if necessary.		
<b>35. Contracted services</b>		
Specialist Services	16 501 513	20 250 189
<b>36. Bulk purchases</b>		
Electricity	22 259 350	20 276 163
Water	174 960	470 497
	<b>22 434 310</b>	<b>20 746 660</b>
<b>37. Cash generated from operations</b>		
Surplus	8 184 440	10 728 985
<b>Adjustments for:</b>		
Depreciation and amortisation	9 723 044	8 256 420
(Loss) gain on derecognition of assets	(49 309)	(1 315 163)
Impairment loss	3 218 085	2 707
Debt impairment	15 495 228	4 627 433
Operating lease expenses accrued	148 950	7 993
Movement in employee benefit obligation	3 443 798	(3 226 219)
Increase in provisions	1 416 111	4 906 634
Other non-cash items	-	870 381
Actuarial gains	(76 394)	-
Non cash income	(5 888 000)	-
Non cash expenses	(4 047 392)	-
<b>Changes in working capital:</b>		
Increase in inventories	(543 286)	83 640
Increase in receivables	(11 570 806)	(7 749 086)
Increase/(decrease) in trade and other payables	7 150 052	7 979 114
Increase in VAT receivable	(3 743 417)	(3 921 349)
(Decrease)/increase in net unspent grants and receipts	(4 106 904)	7 751 431
	<b>18 754 200</b>	<b>29 002 921</b>

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### 38. Contingencies

Merchant West (PTY) Limited (MW) issued a summons on 20 May 2014 against the Municipality and HEFCOM. This relates to SMART electricity meters that HEFCOM funded through MW. According to management, several of contract breaches came to effect on the part of HEFCOM. The Municipality is in a process to cancel the said contract for breach on the part of HEFCOM, also claiming back losses in terms of electricity usage and the sale of electricity. These losses still need to be quantified. MW claims an amount of R 1,896,198.06. No provision for this amount has been raised on year end due to the fact that the Municipality is disputing the matter regarding the summons issued.

Parmalat SA (PTY) LTD claimed an amount of R 141,500.72 from the Municipality on 17 June 2014. The reason for this claim; they argue; is the fact that the Municipality caused damage to their air compressor by not informing them regarding routine electricity maintenance work that the Municipality had done. No provision for this amount has been raised on year end due to the fact that the Municipality is still investigating the matter at hand.

The Municipality is defending the claim against the MEC Local Government. The cost up to now amounts to R48903.66. Further legal cost is unknown. The Municipality's lawyers and management consider the likelihood of the action against the Municipality being in favour of the municipality.

The Municipality is defending the claim against Kaybeez Development Projects for damage caused by cancellation of contract. The claim is for R97750.00. Should the action be successful the Municipality does have insurance cover to cover litigation costs and claims.

The Municipality is defending the claim against Booysen and Skippers for reviewing arbitration awards. The claim amounts to R1,000,000 and the Municipality's Lawyers and management consider the likelihood of the action against the Municipality being in favour of the Municipality.

The Municipality is defending the claim against Molly Anne Smith for damages by falling in an irrigation furrow. The amount of the claim is R1 098 887.55. Judgement was given against the municipality on 14 August 2014 in the Western Cape High Court. Leave to appeal was however granted on the 18th September 2014. This appeal will serve before Court during September 2015. The municipality is still of the view that it will be successful to defend this matter.

### 39. Related parties

#### 30 June 2014

#### Relationships

##### Councillor

- Ward 1
- Ward 2
- Ward 3
- Ward 4

J Donson  
Meshoa/ML Claasen/A Ewerts  
HD Ruiters/PJ Antonie  
A J Rossouw/L Willemse

##### Executive managers

Executive Manager: Financial Services  
Executive Manager: Corporate Services

NB Delo  
H Barnard

##### Municipal Manager

MM Hoogbaard

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 39. Related parties (continued)

#### Related party transactions

Related party transactions for the year ended 30 June 2014:

Relationship	Name	Rates	Services Total	Outstanding balance
<b>Municipal Manager and Councillors</b>				
Executive Mayor	J Donson	2 382	6 070	1 566
Deputy Mayor	A Ewerts	-	1 403	6 092
Municipal Manager	MM Hoogbaard	-	11 913	2 143
Ex-Co Member: Financial Services	N Delo	-	13 761	2 143
Ex-Co Member: Corporate Services	H Barnard	1 209	4 574	911
Councillor: Ward 2	W Meshoa	420	3 108	(160)
Councillor: Ward 2	ML Claasen	749	2 724	1 148
Councillor: Ward 3	HD Ruiters	2 152	6 377	2 797
Councillor: Ward 3	PJ Antonie	1 516	6 635	1 149
Councillor: Ward 4	A Rossouw	1 223	12 231	1 778
Councillor: Ward 4	L Willemse	4 904	5 237	808

Only one of the above mentioned accounts were outstanding for more than 90 days. It is Councillor A Ewerts.

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and are settled in the following month except the account of Councillor A Ewerts. Consumer deposits were received from councillors, the municipal manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

### 30 June 2013

#### Councillor

- Ward 1	J Donson
- Ward 2	W Meshoa/M Claasen
- Ward 3	HD Ruiters/PJ Antonie
- Ward 4	A J Rossouw/L Willemse

#### Executive Managers

Executive Manager: Financial Services	NB Delo
Executive Manager: Corporate Services	H Barnard

#### Municipal Manager

M Hoogbaard

#### Related party transactions

Related party transactions for the year ended 30 June 2013:

Relationship	Name	Rates	Services Total	Outstanding balance
<b>Municipal Manager and Councillors</b>				
Executive Mayor	J Donson	1 784	4 814	534
Municipal Manager	MM Hoogbaard	13 680	15 223	970
Ex-Co Member: Financial Services	N Delo	13 680	12 652	2 457
Ex-Co Member: Corporate Services	H Barnard	718	4 266	802
Councillor: Ward 2	ML Claasen	299	3 119	668
Councillor: Ward 3	HD Ruiters	1 575	3 078	800
Councillor: Ward 3	PJ Antonie	997	4 079	344
Councillor: Ward 4	A Rossouw	730	9 750	792
Councillor: Ward 4	L Willemse	7 077	4 338	654

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 39. Related parties (continued)

No one of the above mentioned accounts were outstanding for more than 90 days.

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and are settled in the following month. Consumer deposits were received from councillors, the municipal manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

#### Municipal Manager - M.M. Hoogbaard

Annual remuneration	1 188 883	913 996
Car Allowance	150 000	150 000
Travelling re-imbursement	58 665	73 847
Leave paid out	95 490	-
Other subsistence	-	115
	<b>1 493 038</b>	<b>1 137 958</b>

#### Chief finance officer - N.B. Delo

Annual remuneration	1 136 808	961 440
Car Allowance	120 000	84 000
Performance bonus	-	309
Leave paid out	90 979	-
Subsistence	19 919	35 757
	<b>1 367 706</b>	<b>1 081 506</b>

#### Head - Corporate Services - H. Barnard

Annual remuneration	685 958	640 445
Car Allowance	133 086	133 086
Performance bonus	57 163	53 237
Subsistence allowance	13 450	35 969
Other allowance	-	5 576
	<b>889 657</b>	<b>868 313</b>

### 40. Prior period errors

Presented on the following page are those items contained in the statement of financial position and the statement of financial performance that have been affected by prior-year adjustments and the cash flow statement was adjusted accordingly.

#### Reclassification

Council has implemented Caseware as the preferred software for the compilation of annual financial statements. During the mapping of the votes it was found that certain mappings previously done by consultants were not in line with Caseware. These differences are noted in the reclassification column.

The effect of the correction of prior period errors has been reflected in the correction of errors column. Where appropriate, specific balances have been referenced to an explanation of the correction.

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

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### 40. Prior period errors (continued)

STATEMENT OF FINANCIAL POSITION 2013	Note	As previously reported	Reclassification / rounding	Correction of errors - 2013	Restated
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Other financial liabilities		(10 028 505)	-	11 904	(10 016 601)
Employee benefit obligation		(7 100 883)	-	(3)	(7 100 886)
Non-current provisions		(2 152 412)	(736 978)	-	(2 889 390)
<b>Current Liabilities</b>					
Consumer deposits		(559 519)	-	-	(559 519)
Current employee benefits	A	(4 677 918)	4 677 918	-	-
Provisions	A	(2 889 390)	(3 940 940)	(10 404)	(6 840 734)
Payables from exchange transactions	B	(39 784 577)	-	8 614 232	(31 170 345)
Unspent conditional grants and receipts	A/C	(12 840 260)	1 115 891	2 072 825	(9 651 544)
Operating lease liability		(23 049)	-	-	(23 049)
Current portion of long-term liabilities		(1 252 340)	-	-	(1 252 340)
<b>Non-current assets</b>					
Property, plant and equipment	D	228 758 703	-	1 208 872	229 967 575
Investment property	D	1 556 525	-	182 556	1 739 081
Intangible assets	D	271 034	-	27 329	298 363
Capitalised restoration costs		67 988	-	(67 988)	-
Investments		4 043 791	-	-	4 043 791
Long-term receivables		2 186	-	(2 186)	-
<b>Current assets</b>					
Inventories		879 696	-	46 164	925 860
Receivables from exchange transactions	A/M	13 561 095	(1 172 207)	(975 389)	11 413 499
Receivables from non-exchange transactions	A	4 981 848	1 172 207	207 933	6 361 988
Unpaid conditional grants and receipts	A	1 115 893	(1 115 891)	-	2
Loan to golf club		4 123	-	2 186	6 309
Taxes		5 240 909	-	(89 880)	5 151 029
Cash and cash equivalents		9 410 053	-	-	9 410 053
Accumulated (surplus)/deficit	E	(188 584 991)	-	(11 228 151)	(199 813 142)
		-	-	-	-

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 40. Prior period errors (continued)

STATEMENT OF FINANCIAL PERFORMANCE 2013	Note	As previously reported	Reclassification / rounding	Correction of errors	Restated
<b>REVENUE</b>					
<b>Revenue from non-exchange transactions</b>					
Property rates		(8 801 692)	-	11 322	(8 790 370)
Government grants and subsidies	A/F	(18 484 981)	(38 735 608)	(2 364 428)	(59 585 017)
Government grants and subsidies - Operating	A	(37 707 611)	37 707 611	-	-
Public contributions and donations		(45 000)	-	-	(45 000)
Fines	G	(604 508)	(99 043)	-	(703 551)
<b>Revenue from exchange transactions</b>					
Service charges	H	(45 740 570)	-	847 047	(44 893 523)
Rental income		(245 185)	-	-	(245 185)
Interest received - investment		(997 115)	-	-	(997 115)
Interest received - outstanding debtors	N	(1 621 517)	-	27 547	(1 593 970)
Licences and permits	G	(109 513)	(203 444)	-	(312 957)
Income from agency services		(585 053)	-	-	(585 053)
Other income	F	(1 419 025)	1 027 999	-	(391 026)
Actuarial gains		(531 859)	-	(358)	(532 217)
<b>EXPENDITURE</b>					
Personnel	J	31 561 665	1 517 566	(84 035)	32 995 196
Remuneration of councillors		2 801 007	-	-	2 801 007
Debt impairment		4 627 433	-	-	4 627 433
Depreciation and amortisation		8 256 420	-	-	8 256 420
Impairment loss		2 707	-	-	2 707
Repairs and maintenance	J	1 660 298	429 033	222 172	2 311 503
Finance charges	L	3 041 994	633 607	-	3 675 601
Bulk purchases	L/I	22 642 460	(633 607)	(1 262 193)	20 746 660
Contracted services	J	4 217 466	16 032 723	-	20 250 189
Operating grant expenditure	J	18 738 191	(18 738 191)	-	-
General expenses	J/K	12 613 024	1 061 354	(1 441 331)	12 233 047
Loss on derecognition of assets		46 294	-	57 298	103 592
		<b>(6 684 670)</b>	<b>-</b>	<b>(3 986 959)</b>	<b>(10 671 629)</b>

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

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### 40. Prior period errors (continued)

#### RESTATEMENT OF ACCUMULATED SURPLUS

##### A. Reclassification

Reclassification of prior year balances to achieve consistency with current year disclosure.

##### B. Payables

The following errors were identified in respect of payables in respect of the prior period:

Overstatement of Eskom account	-	(8 890 936)
Salaries suspense account overstated		(316 487)
Fleet charges not accrued for		80 710
Other		512 481
		<u>(8 614 232)</u>

##### C. Unconditional grants

In the prior year, unspent portion of VAT on conditional grants was overstated due to the incorrect treatment of VAT on government grants.

Decrease in unspent grants and receipts	<u>2 072 825</u>
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##### D. Fixed assets

In the prior period there were certain differences between the fixed asset register and the financial statements. The comparative figures in the financial statements for property, plant and equipment, investment property and intangible assets were adjusted to reflect the correct balances per fixed assets register.

##### Effect

Increase in property plant and equipment	1 208 872
Increase investment property	182 556
Increase in intangible assets	27 327
	<u>1 418 755</u>
Decrease in General expenses	<u>(1 418 755)</u>

##### E Restatement of accumulated surplus

Accumulated surplus 1 July 2012 - previously reported	181 198 831
Correction in respect of electricity account	7 942 788
Accumulated surplus 1 July 2012 -restated	<u>189 141 457</u>
	-
Accumulated surplus 1 July 2012 previously reported	188 584 991
Correction to opening retained income 1 July 2012	7 942 788
Correction of prior period error - 30 June 2013	3 986 959
Other movements	(701 594)
Subtotal	<u>4 574 797</u>
<b>Accumulated surplus - 30 June 2013 restated</b>	<b><u>199 813 144</u></b>



# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 40. Prior period errors (continued)

#### F Government Grants

In the prior year, Government Grants Revenue was understated due to the incorrect treatment of VAT on government grants.

Increase in Government Grants Revenue	(2 364 428)
Library Grant reclassified to Government Grants from Other Income	(1 027 999)

#### G Reclassification

The following amounts in the prior year were reclassified as indicated below to achieve consistency with current year disclosure:

Increase in traffic fines	(99 043)
Increase in license fee income	(203 444)
Decrease in General Expenses	(302 487)

#### H. Service charges

The following errors were identified in the current period relating to the prior period:

Overbilling of consumer debtors	832 639
Other	14 408
	847 047

#### I. Bulk purchases

Electricity expenses overstated in the prior year	(1 262 193)
Interest expenses incorrectly classified to bulk purchases	(633 607)
	(1 895 800)

#### J. Operating Grant Expenditure

In the prior year, certain expenses were incorrectly disclosed as operating grant expenditure. The expenses were reclassified from operating grant expenditure as follows:

Increase in employee related costs	1 517 566
Increase in repairs and maintenance expenses	429 033
Increase in contracted services expenses	16 032 722
Increase in general expenses	758 868
	18 738 189

#### K. General expenses

The following errors were identified on General expenses in respect of the prior period:

Expenses not allocated from a suspense account	365 479
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# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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<b>41. Risk management (continued)</b>		
Adjustment in respect of differences between fixed asset register and financial statements		(1 408 012)
Other movements		(398 798)
Subtotal		<u>(1 441 331)</u>

### L. Finance costss

In the prior year:finance charges on a supplier account were incorrectly allocated to general expenses. The comparative figures were adjusted as follows to correct this error.

Increase in finance charges	<u>633 607</u>
	-

### M. Consumer debtors

In the prior yearconsumer debtors were overstated due to the following:.

Overbilling of consumer debtors accounts	(947 843)
Interest overcharged as a result of the overbilling	(27 547)
Subtotal	<u>(975 398)</u>
	-

### N. Interest on outstanding consumer debtors

Interest received outstanding debtors was overstated by R27 547 due to the overbilling of consumer debtors.:.

### 41. Risk management

#### Financial risk management

The Municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance. The Municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the Municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

# KANNALAND MUNICIPALITY

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## Notes to the Financial Statements

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### 41. Risk management (continued)

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	1 714 859	1 714 859	5 144 577	6 573 627
Consumer Deposits	629 027	-	-	-
Payables from exchange transactions	38 230 397	-	-	-
	<b>40 574 283</b>	<b>1 714 859</b>	<b>5 144 577</b>	<b>6 573 627</b>

#### Credit risk

Credit Risk is the risk that the counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debt. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature and immaterial nature of individual balances. In the case of consumer debtors the Municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levy of penalty payment", restricting of "services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit control and Debt Collection Policy.

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalent were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from National and Provincial government and there is no expectation of counter party default.

The Municipality has not offered any guarantee to any instance for the 2013/2014 financial year.

In accordance with IAS 39.09 the financial instruments of the Municipality, as specified below, are classified as Financial Instruments at amortised cost. The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

Financial instrument	2014	2013
Long-term Receivables - Loans and receivables	2 186	6 309
Receivables from exchange transactions	9 007 715	11 413 499
Receivables from non-exchange transactions	4 870 898	6 361 986
VAT	8 894 446	5 151 029
Cash and cash equivalents	1 429 924	9 410 053
Trade creditors	38 320 397	31 170 343
Deposits	629 027	559 513
Current portion of long-term liabilities: Annuity loans	605 846	534 435

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

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### 41. Risk management (continued)

Current portion of long-term liabilities - Capitalised Lease Liability	1 485 376	717 905
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#### Market risk

The municipality does not hedge foreign exchange fluctuations and does not engage in transactions denominated in foreign currencies.

#### Interest rate risk

#### Interest rate risk

As the Municipality has significant interest-bearing liabilities, the Municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The Municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The Municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates.

The risk is managed on an ongoing basis.

### 42. Going concern

#### Financial sustainability

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business for the 12 month period ending 30 June 2015.

The following material uncertainties may cast doubt on the going concern assumption:

- Regular payment of statutory obligations
- Debtor payment ratio of 73% not in line with National Treasury's norm of 95%
- High level of water- and electricity distribution losses that occur
- High level of poverty within the Kannaland municipal area
- Skills shortage, specifically in the financial, administration and compliance departments
- The potential risk that contingent liabilities as disclosed in this set of financial statements may materialise in actual commitments to pay.

The management of Kannaland Municipality, however, drafted and adopted a financial recovery plan on 6 December 2013 to address these concerns listed. The impact of the listed objectives in this plan will have a medium to long term turn around effect on the municipality. This plan will be monitored by management and reported to the Auditor-General.

### 43. Events after the reporting date

The municipality has no events after reporting date during the financial year ended 30 June 2014.

### 44. Unauthorised expenditure

Opening Balance	43 389 860	36 481 019
Unauthorised expenditure current year - operating	45 403 730	18 669 352
Written off by council	-	(11 760 511)
	<b>88 793 590</b>	<b>43 389 860</b>

# KANNALAND MUNICIPALITY

(Registration number Western Cape WC041)  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 44. Unauthorised expenditure (continued)

Unauthorised expenditure is in the process of being compiled and will be made available to council for consideration before the next council meeting and incorporated into the financial statements before the final audit of the financial statements.

### 45. Fruitless and wasteful expenditure

Opening balance	4 899 149	3 881 278
Fruitless and wasteful expenditure current year	1 142 947	1 570 630
Written off by council	-	(552 758)
	<b>6 042 096</b>	<b>4 899 150</b>

### Fruitless and wasteful expenditure - Finance Cost

Penalties on VAT, PAYE and UIF	343 223	339 497
Interest on late payment of creditors	799 724	1 231 132
	<b>1 142 947</b>	<b>1 570 629</b>

### 46. Irregular expenditure

Opening balance	17 565 036	14 051 632
Add: Irregular expenditure - current year	3 285 820	3 513 404
Less: Correction of error current year	(1 966 283)	-
	<b>18 884 573</b>	<b>17 565 036</b>

### Irregular expenditure consists of per year:

Current year	79 712	-
Suppliers not on prospective supplier listing	451 178	238 253
Validity of deviations	1 467 091	1 273 014
No Tax Clearance Certificates	-	1 173 749
No conflict of interest completed by supplier	-	828 388
Prior years	399 059	-
Functionality score	888 780	-
	<b>3 285 820</b>	<b>3 513 404</b>

### Details of Section 36 SCM Deviations

Section 36 SCM deviations	<b>4 785 467</b>
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### 47. Additional disclosure in terms of Municipal Finance Management Act

#### Audit fees

Opening balance	1 233 898	1 233 898
Current year subscription / fee	2 639 017	-
Amount paid - current year	(1 607 833)	-
	<b>2 265 082</b>	<b>1 233 898</b>

Audit fees are paid in accordance with MFMA 125 (1)(c). The amount budgeted for 2014/2015 amounts to R2 000 000. The CFO is going to try to have the audit fees reduced.

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 47. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### PAYE and UIF

Opening balance	2 660 616	2 670 481
Current year subscription / fee	4 827 341	4 104 199
Amount paid - current year	(7 471 165)	(4 114 064)
	<u>16 792</u>	<u>2 660 616</u>

#### Pension and Medical Aid Deductions

Opening balance	19 514	17 984
Current year subscription / fee	7 070 490	5 488 022
Amount paid - current year	(7 073 212)	(5 486 492)
	<u>16 792</u>	<u>19 514</u>

#### VAT

Year under review	<u>8 894 446</u>	<u>5 151 029</u>
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All VAT returns have been submitted throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
Deputy Mayor A. Everts	<u>-</u>	<u>4 143</u>	<u>4 143</u>
30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Ward 4 M.L. Claasen	<u>-</u>	<u>5 564</u>	<u>5 564</u>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

The total amount condoned by council amounts to R2,060,714.78.

#### Incident

Other	<u>2 060 715</u>	<u>-</u>
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### 48. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	<u>8 534 157</u>	<u>9 139 087</u>
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Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

# KANNALAND MUNICIPALITY

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Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

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### 49. Supply Chain Management Regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

**APPENDIX B - Unaudited**  
**KANNALAND MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**KANNALAND MUNICIPALITY**  
**Financial Statements for the year ended 30 June 2014**

**APPENDIX B**

Grant Description	Balance 1 JULY 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Write Offs/ Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT on Grants Recognised	Balance 30 JUNE 2014	Unspent 30 June 2014 (Creditor)	Unpaid 30 June 2014 (Debtor)
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>											
	R		R	R	R	R	R	R	R		
<b><u>National Government Grants</u></b>											
Equitable Share	-	-	-	19 511 000.00	-	20 051 040.00	-	-	(540 040.00)	-	540 040.00
Local Government Financial Management G	-	-	-	1 400 000.00	-	1 389 298.59	-	10 701.41	-	-	-
DME Side Demand Management Meters	323 449.00	-	323 449.00	-	-	-	-	-	323 449.00	323 449.00	-
National Integrated Electrification Grant (CZ	591 932.61	(591 932.61)	-	16 700 000.00	-	600 000.00	12 988 715.27	1 902 420.14	1 208 864.59	1 208 864.59	-
Municipal Infrastructure Grant	2 384 175.17	(1 275 206.22)	1 108 968.95	10 934 000.00	(1 108 968.95)	830 996.10	9 235 875.40	1 331 801.23	(464 672.73)	-	464 672.73
Municipal Systems Improvement Grant	(282 842.30)	-	(282 842.30)	890 000.00	-	438 410.89	388 472.70	54 386.18	(274 112.07)	-	274 112.07
DBSA Recovery Plan	(824 875.30)	-	(824 875.30)	-	-	-	-	-	(824 875.30)	-	824 875.30
EPWP (Expanded Public Works Programme	47 938.14	-	47 938.14	1 000 000.00	-	1 490 409.85	-	-	(442 471.71)	-	442 471.71
Zoar Streets	180 453.00	-	180 453.00	-	-	-	-	-	180 453.00	180 453.00	-
<b>Total National Government Grants</b>	<b>2 420 230.32</b>	<b>(1 867 138.83)</b>	<b>372 638.49</b>	<b>50 435 000.00</b>	<b>(1 108 968.95)</b>	<b>24 800 155.43</b>	<b>22 613 063.37</b>	<b>3 299 308.96</b>	<b>(833 405.22)</b>	<b>1 712 766.59</b>	<b>2 546 171.81</b>
<b><u>Provincial Government Grants</u></b>											
Library Grant	115 469.61	(115 469.61)	-	916 667.00	-	916 667.00	-	-	-	-	-
Zoar Library	18 122.40	(18 122.40)	-	457 333.00	-	457 333.00	-	-	-	-	-
Land Use Planning Advertising Cost	900.00	-	900.00	-	-	-	-	-	900.00	900.00	-
Taxi Rank	306 462.86	-	306 462.86	-	-	-	-	-	306 462.86	306 462.86	-
Flood Damage	447 889.86	-	447 889.86	-	-	-	-	-	447 889.86	447 889.86	-
CDW grant	43 459.77	(34 411.11)	9 048.66	98 400.00	-	81 344.35	-	3 844.79	22 259.52	22 259.52	-
IDC	1 564 172.00	-	1 564 172.00	1 650 000.00	(1 564 172.00)	-	-	-	1 650 000.00	1 650 000.00	-
Local Government Fin. Man. Support Grant	115 941.90	(25 768.13)	90 173.77	75 000.00	-	-	77 517.79	10 852.49	76 803.49	76 803.49	-
Nissanville Paving	130 537.73	20 820.96	151 358.69	-	-	-	42 600.01	5 231.58	103 527.10	103 527.10	-
Calitzdorp Housing	-	-	-	9 500 828.00	1 564 172.00	11 065 000.00	-	-	-	-	-
Calitzdorp Housing ASLA	2 086.60	-	2 086.60	-	-	-	-	-	2 086.60	2 086.60	-
VWD Pit Latrines	1 745 017.36	-	1 745 017.36	-	1 108 968.95	-	1 287 879.48	180 303.13	1 385 803.70	1 385 803.70	-
Upgrading Sports Facilities Calitzdorp	250 000.00	-	250 000.00	-	-	-	-	-	250 000.00	250 000.00	-
SDBIP	(8 176.31)	-	(8 176.31)	245 480.00	-	-	-	-	237 303.69	237 303.69	-
DWAF: Bulk water meters	146 927.00	-	146 927.00	-	-	-	76 275.00	10 678.50	59 973.50	59 973.50	-
Thusong centre	2 500 000.00	-	2 500 000.00	-	-	-	2 500 000.00	-	-	-	-
Department of Water Affairs	-	-	-	-	-	-	-	-	-	-	-
Department of Water Affairs - RBIG (Region	1 523 317.16	(332 735.44)	1 190 581.72	-	-	-	2 293 003.17	321 020.44	(1 423 441.89)	-	1 423 441.89
Department of Water Affairs - ACIP (Accelerated Community Infrastructure Programme)	-	-	-	5 061 393.21	-	-	2 396 183.91	335 465.75	2 329 743.55	2 329 743.55	-
Swimming Pool Ladismith	-	-	-	-	-	-	-	-	-	-	-
<b>Total Provincial Government Grants</b>	<b>8 902 127.94</b>	<b>(505 685.73)</b>	<b>8 396 442.21</b>	<b>18 005 101.21</b>	<b>1 108 968.95</b>	<b>12 520 344.35</b>	<b>8 673 459.36</b>	<b>867 396.68</b>	<b>5 449 311.98</b>	<b>6 872 753.87</b>	<b>1 423 441.89</b>
<b><u>District Municipality Grants</u></b>											
Eden District Municipality - Disaster funds	-	-	-	526 720.00	-	-	-	-	526 720.00	526 720.00	-
Eden District Municipality Water Supply	-	-	-	-	-	-	-	-	-	-	-
Eden District Municipality Electricity	-	-	-	-	-	-	-	-	-	-	-
Ladismith Water Project	128 118.03	-	128 118.03	-	-	-	-	-	128 118.03	128 118.03	-
<b>Total District Municipality Grants</b>	<b>128 118.03</b>	<b>-</b>	<b>128 118.03</b>	<b>526 720.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>654 838.03</b>	<b>654 838.03</b>	<b>-</b>
<b><u>Other Grant Providers</u></b>											
Drought relief	203 172.48	-	203 172.48	-	-	-	-	-	203 172.48	203 172.48	-
Dried fruit	-	-	-	-	-	-	-	-	-	-	-
MSP	200.00	-	200.00	-	-	-	-	-	200.00	200.00	-
Watermeters Zoar	-	-	-	-	-	-	-	-	-	-	-
Greening Ladismith	628.74	-	628.74	-	-	-	-	-	628.74	628.74	-
Greening Zoar	20 556.36	-	20 556.36	-	-	-	-	-	20 556.36	20 556.36	-
General Valuation	-	-	-	-	-	-	-	-	-	-	-
Water Investigation Van Wyksdorp	10 703.49	-	10 703.49	-	-	-	-	-	10 703.49	10 703.49	-
Housing Education	-	-	-	-	-	-	-	-	-	-	-
Ladismith Electrification 380 Houses	-	-	-	-	-	-	-	-	-	-	-
LED Grant	9 868.42	-	9 868.42	-	-	-	-	-	9 868.42	9 868.42	-
Umsobomwu Project	28 763.33	-	28 763.33	-	-	-	-	-	28 763.33	28 763.33	-
<b>Total Other Grant Providers</b>	<b>273 892.82</b>	<b>-</b>	<b>273 892.82</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>273 892.82</b>	<b>273 892.82</b>	<b>-</b>
<b>Total</b>	<b>11 724 369.11</b>	<b>(2 372 824.56)</b>	<b>9 171 091.55</b>	<b>68 966 821.21</b>	<b>-</b>	<b>37 320 499.78</b>	<b>31 286 522.73</b>	<b>4 166 705.64</b>	<b>5 544 637.61</b>	<b>9 514 251.31</b>	<b>3 969 613.71</b>
<b>Total Grants</b>									<b>5 544 637.61</b>	<b>9 514 251.31</b>	<b>3 969 613.71</b>